ALTERNATIVE APPROACHES TO HOUSING OLDER AMERICANS

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SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

HARTFORD, CONN.

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ALTERNATIVE APPROACHES TO HOUSING OLDER AMERICANS

MONDAY, FEBRUARY 1, 1982

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
Hartford, Conn.

The committee met, pursuant to notice, at 10:35 a.m., in the Senate Chamber of the State Capitol, Hartford, Conn., Hon. Christopher J. Dodd, presiding.

Present: Senator Dodd.

Also present: From Senator Dodd's staff: Marsha Renwanz, legislative assistant; Marla Romash, press secretary; and Michael Reilly, special assistant. From the Special Committee on Aging: Becky Beauregard, professional staff member; and Kathleen M. Deignan, minority professional staff member.

OPENING STATEMENT BY SENATOR CHRISTOPHER J. DODD, PRESIDING

Senator DODD. I hereby convene the U.S. Senate Special Committee on Aging hearing this morning to deal specifically with the problems older Americans have finding housing to meet their needs.

We are going to have five panels of very distinguished witnesses this morning and an audience of distinguished guests. I certainly want to thank all of you for coming here. At the outset, let me make it quite clear that as a member of the Senate Special Committee on Aging, I'm here to learn from you. I do hope that those of you who will not have a chance to testify at this hearing will write down any thoughts you may have on alternative approaches to meeting the housing needs of older Americans and forward these thoughts to my office or to the Special Committee on Aging. I understand that there are sheets in the back of the room which you can pick up and use for such comments.

My opening remarks will be brief. As I've said, I'm here to learn and not to give a speech. I certainly don't have to remind anyone in this room just how serious the housing problems are that confront older Americans. You all know it or you wouldn't be here this morning.

Our senior citizens have traditionally made up a very large percentage of those Americans served by assisted housing projects. These projects have provided many older residents with adequate shelter, shelter which often allows them to escape institutionalization and continue living independently. Yet, the

current administration's budgetary policies are virtually dismantling such housing. This administration has slashed the budget for building such projects by over $7 billion for this fiscal year alone. And the Office of Management and Budget has recommended that President Reagan refuse to build any new assisted housing projects anywhere in the country as of fiscal year 1983.

Furthermore, under the Reagan budget, local housing authorities are now forced to operate at 75 percent of the funding necessary for heating, lighting, and repairing such houses. And over the next several years, senior citizens and others residing in such housing will have to pay a far greater share of their already fixed, limited income for rent.

The current administration's deficit spending is also crippling the private housing market, hurting older homeowners in Connecticut and in most other States. Some Connecticut senior citizens, and I emphasize "some," want to sell their homes and move to smaller units which they can manage more easily both physically and financially.

The soaring interest rates immobilizing today's market however, prevent them from doing so. Other Connecticut senior homeowners want to continue living in their homes but cannot afford to pay rapidly escalating tax, utility, repair, and maintenance bills.

I believe that we must begin to address these unmet housing needs not only for those senior citizens that reside here in Connecticut and throughout the country, but for the anticipated growing population in our senior community in the years ahead. If we have any hopes at all of providing present and future seniors with one of the basic necessities of life, housing, we must act now.

I intend to introduce legislation establishing a HUD demonstration project to test out some new ideas in the arena of elderly housing. And these hearings this morning will help, I hope, explore the kinds of projects to be funded by such a demonstration project.

I would now like to call on our witnesses. I would like to state at the outset that I hope that the witnesses will try and keep their remarks relatively brief so that we can engage in as much discussion about alternatives as possible. I am going to try and stay on schedule here this morning, so I will ask our witnesses to submit their prepared testimony for the record and paraphrase it when it is their turn to speak, so that we may expedite the process as much as possible.

I also want to thank Senator John Heinz of Pennsylvania, chairman of the Special Committee on Aging, for agreeing to allow these hearings to be held in Connecticut today, and Senator Lawton Chiles of Florida, the ranking minority member of the Special Committee on Aging, for sponsoring them as well. Their staff people are here. They have worked very long and hard with Marsha Renwanz on my staff. I thank them.

Our first witnesses this morning will be two very distinguished Connecticut citizens: Commissioner Joseph Canale, who is the commissioner of the Connecticut Department of Housing. I would ask him to approach the witness table. And Commissioner Marin Shealy, who is the commissioner for the Connecticut Department on Aging.

Commissioner Canale is the first commissioner of the Connecticut State Department of Housing that was created 2 years ago. It is the first independent housing agency in the history of our State. Commissioner Canale has a long record working with NAHRO, the National Association of Housing and Redevelopment Officials. He served as the national president for years and, as a result, is very well respected among housing officials nationally. He was once the executive director of the Danbury Housing Authority, establishing many housing and community development projects over the years in that community. And he served on the Governor's General Housing Committee representing the Housatonic regional planning area.

Commissioner Shealy also has a distinguished record of serving the State. She served two terms as the first select person of Woodbury, working on the local level to solve both problems facing senior citizens, problems of housing and zoning in general. She has served as the commissioner on aging, solving statewide problems of seniors since December 1978. A year ago, she set up an invaluable task force on the housing problems of Connecticut senior citizens, a task force that many of our witnesses today are members of.

I welcome both of you here. I would like to request at the outset that at the completion of your testimony you both join me up here to question the other witnesses with me and discuss their testimoney.

Why don't we begin with Commissioner Canale and then we'll hear from Commissioner Shealy?

STATEMENT OF JOSEPH E. CANALE, K.S.G., HARTFORD, CONN., COMMISSIONER, DEPARTMENT OF HOUSING, STATE OF CONNECTICUT

Commissioner CANALE. Thank you, Senator Dodd, members of the Connecticut General Assembly who may be here, and Commissioner Shealy.

It is a pleasure, of course, for me to be with you at this time, to participate in the Senate Special Committee on Aging's hearing on alternative housing for the elderly, which Senator Dodd is conducting here in the State Capitol of the State of Connecticut.

The department of housing, I am proud to say, is just a little bit over 2 years old and, as Senator Dodd said, I have been its first commissioner, and as the leading housing agency for the State of Connecticut we are responsible, among other things, for shaping housing policy at the State level.

Our State housing policy document, called the 3-year housing advisory plan, has directed us, in cooperation with the department of aging, to explore the feasibility of alternative housing for the elderly mechanisms to facilitate such an alternative, as well as finding ways to remove obstacles to prevent them from happening.

It is appropriate that Senator Dodd has brought this hearing here to Connecticut because, as it turns out, we in Connecticut have a great deal to contribute on the subject, having participated with the department of aging through the task force on housing alternatives for the elderly, we shared and generated many ideas

which you will hear about from Commissioner Shealy and others this morning.

But before that happens, as commissioner of the department of housing, I feel obligated to describe some of the characteristics of the housing market in Connecticut. It is important to state what the housing needs for our elderly residents are, and what the Federal, State, and local governments can do to create incentives for alternative housing to augment publicly assisted housing programs.

In 1970, there were approximately 76,000 fewer elderly individuals in Connecticut than there were in 1980. The total population in Connecticut has grown by only 2.1 percent. The total number of households has increased by 17.2 percent, but the number of elderly individuals has increased by approximately 26.3 percent. This is significant in that their increase in numbers creates a demand for many more housing units than ever before which are suitable for the elderly.

We also know that older individuals earn less and continue to earn even less as they age. Hence, they create the demand for smaller, more affordable units. Many times older individuals need social service programs that keep them independent. Herein lies the problem.

The supply of affordable and appropriate housing in Connecticut is scant. Private developers, because of current development costs and interest rates, find it virtually impossible to build this kind of housing.

The traditional role of Government housing agencies are to take up the slack of what the private sector has not been able to do. However, Senator Dodd knows all too painfully well about the level of cuts of Federal housing programs.

In 1981, the department of housing, CHFA, and HUD combined, completed construction of 752 elderly units. It is the section 8 rental housing assistance program which makes these rental apartments affordable to elderly households.

The State of Connecticut has a successful elderly housing program. Instituted in 1959, it has funded almost 6,000 units. Not many States have its own production program and we are proud of this program. But our State has limits to the extent of our bonding capacity. For fiscal year 1981 to 1982, we received $2 million from the Connecticut General Assemby for our elderly housing programs. If we are lucky, this will create about 62 additional living units using $32,000 as a cost per unit.

We have asked for many more times this amount for fiscal year 1982 and 1983. But given the State's fiscal stresses and strains, we know it will be difficult to obtain enough to satisfy the housing needs of thousands of poor elderly households in Connecticut.

The State and Federal programs developed or completed construction of approximately 800 elderly units in 1981 for the approximately 46,000 elderly households in need of housing assistance. This number of elderly households equals nearly one-fifth of all the elderly households in Connecticut. It is obvious they need to fill the large gap between supply and need in creative ways.

There is an important point that I want to emphasize. I believe that government agencies and the private sector should stimulate alternative approaches to provide decent and appropriate housing

for elderly individuals. Many elderly individuals may not want nor need traditional elderly housing. However, it is dangerous to think of these excellent alternatives as a substitute for traditional elderly housing and justification for the present administration's emerging and alarming housing policies.

I had the opportunity to testify before the President's Commission on Housing in early December 1981. The basic thrust of the Reagan housing policy initiatives appeared to be housing assistance grants in lieu of housing production programs. I made a statement before the President's Commission then and I will repeat it. In my judgment this substitution is a mistake. We need, of course, both.

I suggested to the President's Commission on Housing that Federal funds continued to be provided to public housing agencies in amounts necessary to fill the gap between an appropriate tenant share and the dollars necessary for proper management of the housing units. And between me and you, Senator, that was a frustrating experience.

This is vital to the preservation and protection of existing public housing. Further, I urged the Commission to recommend programs that will encourage the construction of new housing units and the rehabilitation of existing stock. As units become more available they will also become more affordable.

Conversely, as units become less and less available, rents will skyrocket and more subsidies required.

I also recognize that we need to have new and creative ways to adapt to the current housing shortage. We must create solutions for the problems of many elderly who have low incomes but whose homes have accrued a great deal of equity over their lifetimes.

I will defer to Commissioner Shealy and others to discuss these options in detail. Moreover, I would like to add that the department of housing has resources and information to bring these ideas to fruition.

The department of housing has recently undertaken the responsibility of administering the small cities block grant program which the U.S. Department of Housing and Urban Development has previously administered since 1975. Communities with a population of 50,000 or less will be eligible to compete for funds to assist low- and moderate-income recipients for community development activities in the area of housing economic development and community facilities.

Excluding funds committed to communities with multiyear projects, we will have approximately $6 million to award to 150 municipalities. The department of housing encourages communities to compete for these funds. We challenge applicants to use these funds to some of the creative arrangements we shall hear about this morning.

I mentioned that there could be obstacles in bringing about some of the alternatives for elderly households like accessory apartments, manufactured housing, "granny flats," and group homes. Some obstacles may arise from local ordinances, regulations, or codes which tend to prohibit interested parties from implementing some of these alternative housing arrangements.

We also encourage localities to examine their land use regulations and to implement inclusionary zoning regulations. The imple-

mentation of the inclusionary regulations and policies would create a variety of housing types for different ages and income groups.

Not only do inclusionary land use regulations provide a diverse and healthy community, it is also an appropriate way to respond to a depressed housing market, to declining government funds, to house an increasingly larger older population, and to make the best use of our existing housing stock.

The department of housing is committed to using manufactured housing for elderly persons as a method to reduce housing cost. We have begun a demonstration project using this type of housing to test the validity of the use of manufactured housing and to analyze the cost effectiveness of the use of these units as an alternative to standard construction methods.

A local housing authority in Connecticut will be using manufactured housing which the department is financing. We hope that will be eventually widely accepted and that other sponsors of elderly housing emulate the use of manufactured housing.

Very shortly the department of housing will make available to every chief elected official in Connecticut a report on inclusionary land use practices which the department has prepared. The report will describe innovative as well as traditional land use techniques which towns can use not only to reduce the unnecessarily high cost of housing but to provide a variety of housing types. For example, a town may have to take the first step toward providing accessory apartments by adopting zoning regulations.

They would regulate the development of this type of housing in an orderly fashion so that they are compatible with other community development goals of a particular town.

On the Federal level, the newest and seemingly the most political feasible approach toward solving our housing crisis is to employ the Federal income tax code. An example is the tax credits such as the ones included in the 1981 Economic Recovery Tax Act. I support the expansion of such legislation to include tax credits for individuals who create additional elderly units in the ways we will explore this morning.

On the State level, we look favorably toward legislation permitting local jurisdictions to promote appropriate ways to house our burgeoning population.

In closing, I would like to say that it was most opportune that about 1 year ago Commissioner Shealy had organized the task force on housing alternatives for the elderly. By doing so and inviting me and my staff to participate, she assisted us to implement a directive of our 3-year housing advisory plan.

And now, it is equally opportune to have the prestigious U.S. Senate Special Committee on Aging under the chairmanship of Senator Dodd asking for our ideas on the same subject. I hope that we can influence Federal policy, shape our State policy, and encourage localities to create policies which provide alternatives to publicly assisted housing programs. There is no way any of us can do it alone.

Thank you very much, Senator.

Senator DODD. Thank you very much, Commissioner.

Commissioner Shealy, why don't you go right to your statement and then I'll ask you questions?

STATEMENT OF MARIN J. SHEALY, HARTFORD, CONN., COMMISSIONER, DEPARTMENT ON AGING, STATE OF CONNECTICUT

Commissioner SHEALY. Thank you, Senator Dodd.

Commissioner Canale, representatives from the State that are here and others, I am very pleased to be here today. I will try, Senator Dodd, to paraphrase because I don't want to take too much time and there are specifics within each paragraph that you can refer to later.

Briefly, according to the 1980 census, Connecticut has about 522,000 residents over the age of 60. And obviously they are as diverse as any other age group and I can't attempt to describe all of their different situations. However, there are clear patterns that we know about that indicate housing problems of Connecticut's elderly residents.

A substantial majority, 69 percent, of Connecticut's elderly residents own their own homes, and in this respect, Connecticut is similar to the rest of the United States. The elderly tend to be long-term residents of their areas as well as having stayed in their own homes for quite a long time.

It comes as no surprise to any of us that the majority of them want to stay where they are. How do I know this? The department had a survey that was done last year by the Roper people in Connecticut and 84 percent of the elderly indicated they didn't want to move and 89 percent indicated not only did they not want to move, they did not want to go into any kind of an institution.

Some elderly people have, obviously, considerable advantages in seeking their housing goals. They may either have no mortgages or very low ones and obviously if they have enough money to pay for the carrying costs of these houses then the effort to maintain their homes is likely to be successful.

Unfortunately, this relatively optimistic picture does not apply to far too many of our elderly citizens. I gave you some statistics before and here we are in the second wealthiest State in the Nation with over 100,000 of these same elderly living at or below poverty level of $4,200 a year, and if that is happening in Connecticut heaven help those that live outside of Connecticut.

First, as I said, nearly one-sixth of America's elderly have incomes below the official poverty line and in my opinion that poverty line is absurdly low. In other cases you have elderly who may have homes whose mortgages have been paid but they are asset rich and cash poor. This fact was often combined with the so-called overhousing phenomenon.

Most of Connecticut's elderly live in small households; 29 percent live alone, and 46 percent live with only one other person. Obviously these houses were designed to enclose families and now we see that there is more room than many residents want or can provide for.

I should mention one more elderly special need group. The elderly obviously, particularly as they get older, are more apt than others to suffer from chronic physical disabilities and according to the National Center for Health Statistics, 46 percent of those over 65 are limited in their activities and 17 percent are unable to carry on major activities.

However, these disabilities are not crippling. It does not mean that they have to give up their lifestyle and go into an institution. Except for lack of other kinds of services and also perhaps for lack of better housing, one-floor housing, simpler kinds of housing, they could stay in their hometowns where they want to be.

The emphasis of the Federal Government's effort to deal with the housing needs of America's low- and moderate-income elderly has been on direct and indirect subsidies for the construction and ongoing support of rental housing, as Commissioner Canale just attested to.

These programs have had problems, no question about it. And the most obvious at the moment is the per unit cost of the section 8 new construction program. However, just because there are problems doesn't mean that we do away with the basic philosophy, in my opinion, of providing low-cost housing for those in need.

Housing programs, as you have just heard, and as you know, Senator, have been drastically cut and I don't think the American people yet realize the impact of these cuts and also the impact of the Reagan administration's proposed even further drastic cuts.

I think Commissioner Canale told me as we were coming in here, and correct me please if I am saying something wrong, that when he was in Washington he heard some discouraging things. I said to him, "Didn't you ask what they were going to do about housing," and he said that one administration official said that in his opinion, that he indicated there was no problem. Everybody lives someplace. That is a very callous attitude of an administration who doesn't look into how they live in that someplace.

I hope that is all right, Joe.

Commissioner CANALE. Great.

Commissioner SHEALY. The emphasis of the Federal Government's effort has been on direct and indirect subsidies for construction and ongoing support of rental housing, as I said. The Connecticut Department on Aging organized a task force to examine informally the housing problems of Connecticut's elderly and to recommend creative ways of alleviating some of it. I want to point out that in no way did I think that some of the things that we were discussing could, in any shape, make up for the lack of Federal subsidies along with them.

We tried to put on this informal committee everybody we could think of representing both private sector, the legislative sector, and the public sector. There was no mandate to do this and you will be glad to hear we did it without any money and without any extra staff. And it was a very good group of— Senator Dodd, I do have a list of those that were on it and I will give that to your staff afterward—it was a very representative, hard-working group of people.[1]

In my opinion, an intelligent and humane housing policy for our elderly would at least include some of the following, all of the following among other things: First, Government financial assistance is mandatory to enable the elderly poor to meet their basic needs, including housing. For many elderly people, these programs make the difference between a minimally acceptable standard of living and truly real hardship. The basic principle of Government respon-

[1] Retained in committee files.

sibility for assisting the destitute must be maintained, and whether this administration realizes it or not, I feel that is Government's function.

Second, elderly, whose health does not allow them to be fully independent but who do not need institutional care, can also be helped in many ways, and the private sector can also address some of these problems.

During the past year the Connecticut Department on Aging's home care program provided a range of community care services to nearly 2,400 frail elderly, all of whom were at risk of entering a nursing home. Our goal is to make this program available to all of Connecticut's lower income elderly who require long-term care and whose needs can be met safely and effectively in the community.

The case management process of assessment, coordination, and monitoring, as delivered by Connecticut Community Care, Inc., is probably the most effective and innovative way in the country of targeting scarce resources and of promoting the self-sufficiency and independence elderly persons want and deserve. Who can disagree that there is "No Place Like Home?" That is a paraphrase of the book.

Other concepts are specifically congregate housing and foster care. Jonathan Frankel, who will be a witness later, will spend some time talking to you about congregate housing and is an expert in that respect.

Foster care involves the placement of elderly people with significant health problems in the homes of people who are willing and able to care for them. Some of these programs have been operating on a small scale in Massachusetts and Maryland in connection with major hospitals, and in Connecticut by the department of human resources.

The Connecticut program, unfortunately, is essentially dormant because it was simply not able to pay its care givers enough. In Massachusetts, where foster care is eligible for medicaid reimbursement, the programs seem to be in better shape.

There are other ways of looking at how people can make the most of their own resources. These methods require little or no Government subsidy, and in some cases Government's obvious role is to remove obstructions in the way of people's creative use of their own resources. I know that this can be picked up by those who feel that is the only way to address the problem, and I underline, this is one of the ways. It does not take the part of Federal Government assistance.

Home sharing is a process in which a person who has extra space in their home provides housing to another, one or more, in return for rent and/or pooling of services. They can be informal or formal as independent agencies or units within larger organizations. The formal programs serve as information clearinghouses to suggest compatible client matches. They also serve as consultants, and I emphasize, that in all cases nobody is made to share a home, nobody is made to go into somebody else's home. The elderly are involved directly in making the decisions about the acceptability in terms of a match.

There are important advantages. It can be done inexpensively, it can be done for people at a price they can afford. I think probably

the most humane thing is it can be done in that town where the person lives and wants to stay. Companionship and assistance to socially isolated elderly is an equally important benefit.

A similar concept is the accessory apartment, which involves the installation of separate apartments in large single-family homes. They are becoming more acceptable in Connecticut as it becomes clear that they do not harm the character of neighborhoods.

The department of aging has a list of 38 towns of which we know in which zoning regulations now permit accessory apartments. Senator, for those fellow Senators who read our testimony it should be emphasized, as you well know, that Connecticut does not have the county form of government, and therefore, we do have 169 towns that are autonomous, and when we talk about encouraging towns to broaden their zoning regulations that, in effect, is all we can do, and obviously all we should do at this point. Each town has its own zoning and planning regulations.

As the former first selectman of Woodbury, a small town of 7,000, in which there are many historic homes that now have accessory apartments, I can attest that the town's character has not been changed or harmed. A casual observer driving or walking through that town, particularly the 3½ miles of the historically zoned main street, would never know that anything had changed since construction of those homes in the 18th and 19th centuries.

Patrick Hare and Peggy Chapin, two witnesses today, are experts on accessory apartments and will talk about this.

The last specific alternative is home equity conversions. These proposals come in many forms, but all are designed to address the problems of the asset-rich, cash-poor homeowner, not the renter. They involve an investor, who may or may not be profit motivated, advancing money to a homeowner in return for a claim on the home. The payments to the homeowner may be a straight loan with the home as collateral, or may give the investor all or part of the equity in the home.

The homeowner gains income and in most cases a guarantee of lifetime occupancy. The investor is, in effect, counting on housing to maintain or increase its value, and expects to be repaid from that value.

There are major technical problems, unfortunately, to implementing these plans, augmented by the high interest rates, but there may be some major breakthroughs. Connecticut does have enabling legislation, but because of the high interest rates, no bank that I know of in Connecticut has yet been able to put this into effect, unfortunately.

I will conclude by briefly mentioning two very different organizations which may contribute to these breakthroughs, and I would suggest warrant your further investigation.

First, there is Buffalo Home Equity Living Plan of Buffalo, N.Y., otherwise known as HELP. It is a nonprofit corporation. It began with a $1.3 million grant from community development block grant funds. It operates in a working class neighborhood in Buffalo with two goals; to help elderly homeowners convert their equity into income and other benefits, and to contribute to neighborhood stabilization by repairing and maintaining homes which might other-

wise deteriorate as their owner's fixed incomes don't stretch far enough.

It operates this way: A homeowner signs over to HELP the right to dispose of his or her home upon death. In return, HELP sends the homeowner a small monthly check, and most importantly, takes over all responsibility for home repair, property taxes, and insurance. This last feature is particularly important because it protects the homeowner against future inflation.

Buffalo HELP signed its first contract in September 1981, and therefore, it is too early to see how it is working out but its progress certainly merits our attention.

Second, there is American Homestead, Inc., of Moorestown, N.J. This is a for-profit corporation which is seeking to become the first large-scale national operator in the home equity conversion field. It plans to begin offering its plan on the market later this year and it offers a lifetime monthly income to elderly homeowners who own mortgage-free homes.

The payments will be structured as a loan. When the homeowner dies the estate must repay the loan with interest, as well as pay a percentage of any interim appreciation in the value of the home. In no case, however, will the estate owe an amount greater than the resale value of the home.

The need for some such plan may be measured, and I think this is extremely important, by over 4,000 inquiries which the company received within a month after its plans were described by a widely syndicated columnist.

In these ways Buffalo HELP and American Homestead can help but they are very different. One is small, nonprofit, neighborhood-based, and concerned with strengthening the general social and physical fabric of its community as well as helping the elderly.

The other is trying to become a large national enterprise based upon the assumption that in order to do good it must do well. However, both organizations show ingenuity which is necessary to provide intelligent housing alternatives.

I might add that in all of this we don't see these alternatives arising yet for those in rental housing, and even though a great many of our elderly live in their own homes, I think it is very clear that particulary in the urban areas we have tremendous problems of elderly living in rental housing that is, if available at all, so substandard it is pitiful. And I think that is another issue that I know, Senator, you are addressing.

So that if enough Americans emulate some of these innovations which are working now, I am confident that we can do some good to alleviate this problem, but in no way will it replace the needed Federal and Government subsidies that are being cut.

Thank you, Senator Dodd.

Senator DODD. Thank you very much.

Let me just briefly address a few questions to you both. Commissioner Canale, you mentioned the small cities block grant program which will provide some $6 million, at least potentially $6 million, to 150 towns in Connecticut that fall under the 50,000 population. Two points.

You mentioned the $2 million that the State of Connecticut this year had appropriated for housing programs, and that that particu-

lar program with $2 million was responsible for some 62 units. Simple math gets us to 186 units with $6 million. Also, it is a block grant, meaning that communities can use those funds, as you mentioned, for community facilities, economic development programs, and a whole host of other things in addition to housing.

What makes you think we're going to really get any significant housing production under that kind of a program?

Commissioner CANALE. Well, we are not, and I said that to the President's Commission when they asked me that same question. If we just took 150 cities that are eligible, and gave every one of them a share of what we got, we could give them all about two-thirds of a housing unit apiece. And I said it was ridiculous for them to depend on that, because when I asked for additional funds for production of housing, they threw at me the question of the block grant programs that the States will be taking care of from now on if they so choose, and we did. But it is absolutely ridiculous because if all of the money was spent, we are not talking about very many units.

What really bothers me is when they say there is no housing shortage. Secretary Pierce came and spoke at Yale University about 1 or 1½ months ago, and he made a statement that was recorded in the newspapers and over the television, that everybody's got a place to live. He said they may not like where they are living, but they all have got a place to live. And here is a man coming out of New York City, who claims it has 35,000 people who are either living in subways, in paper boxes, or in doorways. I agree with him there that they may not like where they are having to live.

Senator DODD. Let me ask you this: Commissioner Shealy mentioned some 30-odd communities that presently support accessory units in their communities. Of the remaining 130-odd communities in the State of Connecticut, how many on their own, aside from what the State or the Federal Government might do, exclude specifically some form of congregate housing, accessory housing, or other creative alternatives designed to handle the housing problems of their elderly residents?

What I am asking you is whether a significant number of communities in Connecticut just oppose the inclusion of new forms of elderly housing like those mentioned already and those we will hear more about later today. Do we face a real problem at the local level in this area?

Commissioner CANALE. We do, but it has been improving within the last year, Senator. Within our last year we have received requests from smaller communities who for many, many years wouldn't even talk to the department or our predecessor departments in regards to multiple dwelling units, whether they be elderly or not.

We must have on our books requests from—we got requests from enough cities, small towns that would use up $500 million worth of housing almost overnight. So we are encouraged that the local communities are now beginning to understand the problem. They are not talking about families as much as they are talking about elderly.

Senator DODD. What we are talking about today is the elderly, and I want to focus on that.

Commissioner CANALE. We have a considerable number of communities who for years and years would never consider multiple dwelling units or units less than the minimum house areas of less than 1,000 or 1,500 square feet of housing per unit. So now they are talking with us about our criteria, which is 400 square feet for a small unit, and they are all waiting for us to come up with money for them.

Senator DODD. Let me just ask you one other question because we are already way behind. As I mentioned in my opening remarks, and you and I have talked about this in the past, local authorities are now forced to operate at 75 percent of the funding necessary for heating, lighting, maintenance, and so forth. During fiscal year 1983, President Reagan has indicated that he may slash these operating subsidies down to 65 percent of necessary funding, or less.

I would like you to describe very briefly what an additional 10-percent cut in these operating budgets would mean. I may be asking you to do something that you can only speak about in general terms, but please be as specific as possible about what that additional 10-percent cut would mean in terms of servicing the low-income elderly here in Connecticut.

Commissioner CANALE. Senator, they would have no other alternative—and I have been a housing director for some 20-some-odd years in Danbury—they would have no other alternative but to close down over half of the units and tell those people they had to get out because there wouldn't be enough money for them to keep the other units in operation. There is no question about it.

Senator DODD. Now what is the total number of units?

Commissioner CANALE. In the State of Connecticut on elderly housing units, I would probably say there must be at least 25,000 to 30,000 units of elderly housing that has been sponsored by the Federal Government or being supported by the Federal Government.

Senator DODD. And it is your assessment that an additional 10-percent reduction could mean the closing down of as many as 15,000 of those units?

Commissioner CANALE. At least, if not more because with the rising costs, as we go day by day, there might be even more than that. In fact, I came back from Washington Friday. They are talking about telling the housing authority to start ripping down projects. Can you imagine what that will be with the shortage that we have all the way around, although they just won't recognize the fact that there are shortages.

Senator DODD. Commissioner Shealy, I was going to cite the notion that "everybody lives someplace." And while we are focusing on elderly issues today, let me say that there is an undisputed report that just in the city of New York alone, there are in the neighborhood of 30,000 to 40,000 human beings who literally are without any housing. They are sleeping over heat ducts, in subway and railroad stations, and so forth. Almost within view of where we sit today, that many people without any housing at all. I can't say how many of them are elderly, but 30,000 to 40,000 people is the population of the majority of communities within our State of Connecticut.

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Let me just ask you a few things, if I can. I appreciate the statistical information here in your statement. Do you have any statistics on the number of seniors who are presently in nursing homes or nursing care facilities, but could live independently if housing with some social services attached were available? How many are in a totally dependent kind of environment who could live in a quasi-independent or totally independent kind of environment? Do you have any numbers at all on that kind of situation?

Commissioner SHEALY. No, Senator, not yet. We do have 29,000 Connecticut residents living in nursing homes and old age homes. To answer your question specifically, CAM in the State of Connecticut is about to sign a contract with Connecticut Community Care, Inc., that nonprofit CAM Association I was talking about, to do prescreening of those elderly backed up in hospitals on what is called AND days—administratively necessary days. In other words, those elderly who have not been able to leave the hospital even though, according to the medical doctors, they are able to. Why? Because they have no place to put them. They can't put them back into the community because they are too sick without the supportive care, and there aren't nursing home beds available.

So the contract is going to be signed as a demonstration project, hopefully, in Fairfield County where the squeeze is enormous due to out-of-State clients.

Senator DODD. Obviously, there is a tragedy involved in having someone institutionalized that doesn't need to be. Tremendous pain and suffering occurs just as a result of that. In addition to the tragic human cost of institutionalization, there is a real cost in dollars and cents.

I assume that it would be far less costly for the taxpayer here in Connecticut and in all other States, to provide persons with no absolute need to be institutionalized with housing which would allow them to live independently. By providing those seniors who are capable or nearly capable of taking care of themselves with adequate housing, we could significantly reduce our costs. I presume that the cost of such housing will be far less than the cost of supporting such people in institutions.

Commissioner SHEALY. I don't know, other than housing, any bigger issue in the Nation today affecting the elderly. I would agree with you wholeheartedly. And I think you know the dollars and the numbers better than I do. I think we are approaching, is it not, Senator, $19 billion this year nationwide paid for 5 percent of our elderly in nursing homes, and that is reflected in Connecticut. It is under the welfare medicaid payments.

Senator DODD. Let me just ask you a few other quick questions here.

Commissioner CANALE. Senator, could I just enlarge a little bit on this last question that you talked about? We come from a great State who recognizes this problem. Our general assembly and our administration has given our department funds to do four pilot projects across the State on congregate housing, which takes care of frail elderly who don't need to go into a full nursing home, and specifically for the reason that you just said.

Senator DODD. Commissioner, you are absolutely correct. I was negligent not to mention that fact. I commend the distinguished

legislators of our State, some of whom are in the audience here today. Even when times are very, very tight, the fact that the Legislature of Connecticut is still willing to put as much as $2 million into such a housing and health care program is to their credit. I don't envy my colleagues their job here, where they have to balance the budget every year, no matter how great the fiscal problems.

I am serving under an administration that doesn't think balancing the budget is very important. In fact, we are going to accumulate a national debt of between $400 and $500 billion over the next 3 years. That is roughly one-half of the total debt acquired by this country over the past 200 years.

I would invite those who believe that such a national debt doesn't really affect the economy to go out into the market and compete for credit over the next few weeks. I would like them to try to be small businessmen going out to compete for dollars when the Federal Government is acting like a sponge, just sopping up all available credit by borrowing $40 billion to pay interest on our national debt.

That aside, I think our Connecticut Legislature has done as good a job as it possibly could under the circumstances. I am delighted by the fact that several members are here today, participating in or just sitting in on this hearing.

Anyway, I have one last question for you, Commissioner Shealy. You mentioned that 84 percent of those seniors who presently live in their own houses would prefer to stay there. I think all of us understand and can appreciate that. However, such people probably think that the only alternative to their situation is institutionalization. That is what people think of, either you live in your own house or you live in a nursing home.

You have identified a number of alternatives to nursing homes which could reduce both the physical and the financial burdens for some of these people of maintaining homes that are larger than they need. In your survey, did you ask these homeowners whether or not they would consider home equity conversion, home sharing, or accessory apartments, and so forth? Have we explored whether or not such seniors would prefer to move from their homes if they had some other alternatives besides nursing homes?

Commissioner SHEALY. Not specifically those alternatives, Senator Dodd. I do know that there was one question—by the way, I will send this down to your staff. It is a very professionally done survey. We had some advance time and extra Federal dollars. Under the Older Americans Act, the departments on aging in the Nation are required to do this kind of survey occasionally, and we did do it, and contracted with the Roper people, who are very professional, and I will submit that to you.

The one overriding factor other than not wanting to leave their homes because of fear of institutionalization was obviously being able to stay in their community. It is a long-winded way of saying, no we didn't specifically say, "Would you move into a granny apartment?" "Would you share your home?"

This survey was commissioned about 3 years ago and just came in last year.

Senator DODD. I think that might be worthwhile doing because unfortunately, very few professionals in this area are as aware of the alternatives that are available as they might be.

And, I suspect that the population we are trying to assist is also not aware of what other options might be available to them. It might be interesting to find out whether or not that figure of 84 percent might drop if some alternatives were presented to elderly homeowners. Housing alternatives for seniors would also release some available housing stock for others.

Commissioner SHEALY. If I may just interrupt, as a personal note, I would like to say if we release that stock I would have to question who is going to buy it at these interest rates. I have had my own home on the market for 1½ years and have been unable to sell it.

Senator DODD. Well, I am looking for a house. Maybe you and I ought to talk. Can you cut a deal on a second mortgage?

Commissioner SHEALY. Well, if you can do something about the interest rates you can have it.

Senator DODD. I invite both of you to come up here now and join me. Thank you both for your testimony this morning and response to my questions.

I have invited our consumer panel to approach the table. For the record, our first panelist this morning will be Lisl Standen from South Kent, Conn. Ms. Standen was a 1981 delegate to the White House Conference on Aging. She represents the League of Women Voters and she is a member of Commissioner Shealy's housing task force.

Our second panelist is Arthur Higgins. He is the president of New Samaritan Housing Corp., which designs and develops elderly housing. He is a technician for the Connecticut Interfaith Housing Group, which assists the nonprofit sponsors of elderly housing projects. He is also president of the Elderly Housing Management Corp., managing four nonprofit corporations for elderly housing and other kinds of housing.

And we have Dr. Marie Jaeger, who was also a delegate to the 1981 White House Conference on Aging. She represents the Southwest Connecticut Coalition on Aging and is chairperson of the executive board of the Southwest Area Agency on Aging. She is also a home care specialist on the Board of Connecticut Community Care, Inc.

Our three panelists this morning are going to present a number of case stories of senior citizens on waiting lists for special housing in their respective communities. They will also give us their comments on the White House Conference on Aging housing recommendations, while describing the kinds of elderly housing that are most in demand and the anticipated future demand for such housing. We need to get some new ideas about the role the Federal Government can play in better tying together our housing and social services in the various communities.

I will ask Ms. Standen to give her statement or paraphrase her remarks. I say this with all due respect to those who are here, we are already about one-half hour behind schedule. So, let me emphasize again that we are going to try and stay on schedule.

Being behind schedule is typical of the Senate, isn't that right, Representative Groppo? There are four Representatives here today. We have Naomi Ottenness, Joan Kemler, Richard Tulisano, and the majority leader of the House of Delegates, the House of Representatives here in the State Capitol, John Groppo. We are delighted to have all four of you here. I notice there is not one senator here. Is this an indication of a boycott of one kind or another? Is this a sit-in over here, or are you participating?

At any rate, please paraphrase your statements now, Ms. Standen, so we get moving along.

STATEMENT OF LISL STANDEN, SOUTH KENT, CONN., DELEGATE, 1981 WHITE HOUSE CONFERENCE ON AGING; REPRESENTING THE LEAGUE OF WOMEN VOTERS

Ms. STANDEN. I am delighted to be here to be able to be able to testify to the great need for elderly housing, particularly here in the State of Connecticut. I will not mention any of my figures that I have in my written statement. They have been amply mentioned by both commissioners.

I would very much like to talk about some of the resolutions that were passed at the White House Conference on Aging where I was a participant. To my great regret, I was not a member of the Committee on Housing. I had especially asked for it. I had given my background but I think 75 percent of the Connecticut delegation was unable to get their requested committee assignments.

However, by going over the resolutions of the Committee on Housing, I would like to make some specific recommendations, that particularly, these resolutions would be looked at very strongly by the Special Committee on Aging.

The first two resolutions, 257 and 262, which stress the responsibility of the Federal Government in cooperation with the private and volunteer sectors for providing a wide range of living arrangements in order to meet the social, physical, economic, and spiritual needs of the Nation's elderly. It asks that the Federal Government should provide adequate housing assistance under section 8, section 202, and public housing programs, and a partnership between the private sector and government at all levels and 200,000 units nationally per year should be made available for housing needs of all older Americans. Resolution 24 recommends shared housing, which has been alluded to earlier in the testimony. Resolution 266, which would increase the real options for elderly consumers for a continuum of living arrangements.

Resolution 250 would help in developing home equity programs, and I later on have some examples of what is happening to the individuals who own homes, and I would be glad to give some case histories. Resolution 278 talks about foster care, and resolution 217 for tax incentives for accessory apartments.

So we are covering the same subject that has been covered before. These are the basic needs that have to be addressed. I would now like to talk very shortly about the needs of housing for the elderly population as we, as consumers who are interested and active in housing coalitions in our communities in helping to provide housing, and I would like to first start with a project in Kent

which, of course, is closest to my heart, Templeton Farm Apartments, which was started in 1976. The planning was started in 1973.

We had really a record time in finishing it in 1976. It is a small complex with 24 units. We have a waiting list of over 40 people. We have this small waiting list only because we closed the applicant's list for a number of years, because we would not want to lead people astray hoping that they would get an apartment. And now, with only 40 to 50 people on the list because we had closed it, the average waiting period is at least around 5 years. And I know of other projects where the waiting list is about 9 years.

I would like to say, about three of our residents at Templeton Farms, if they had not been able to move into Templeton Farms at the time they moved in they would, all three, today be in a nursing home. And this is the kind of thing that was brought out earlier today too. By providing decent housing and by thinking of the dignity of the elderly people, we can also save money in the long run. But we have to put in that. We have to have as our basic consideration the dignity of the elderly to be able to live independently, and a much larger proportion of people who can live independently who today do not have the chance to do that.

I would like to give a few case histories of individual homeowners all over the State of Connecticut, and I got my histories from the New Milford area, from the Danbury area, and from New Haven. And this is just skimming really.

I would, first of all, like to talk about a widow who is 75 years old, who lives in the New Milford area, has a monthly income of $500 and $1,600 in savings. She had to sell some of her furniture after her husband's death to pay medical bills. She has nothing more to sell. Her house is badly in need of repair which she cannot afford to do. She is interested in a reverse mortgage. She has not found any possibility to get into a home equity program.

My next example is of a man 65 years old whose wife is in a nursing home. His income is $600 a month. He pays $230 of that $600 in mortgage payments. He has no savings left after innumerable hospitalizations of his wife. He has a bad credit rating. He would like to get some insulation done. He cannot get an insulation loan because his credit rating is bad.

His son would be willing to move in if he could build an accessory apartment over the garage. He doesn't have the money or the credit rating to build the accessory unit.

In Danbury, an elderly lady was evicted by her landlord to a motel room. This was done over the weekend so no social services were available. Her furniture was stacked outside the motel room, and she has now been put into a nursing home, and she could very well live either in a group home or in a congregate facility.

A 78-year-old woman living alone in her house cannot continue to do so. She recently had a fall and was found on the floor of her bedroom. There are no other facilities but a nursing home for her.

In New Haven, a 65-year-old widow lived alone in a two-family house which she and her husband have owned for 30 to 40 years. Her husband died 4 to 5 years ago. She could not keep up the mortgage payments on the second mortgage she had because she couldn't keep up the rental apartment in a condition to allow her

to get the income from the rental apartment. She was threatened with foreclosure and she died of a heart attack.

A widower, aged 66, rented the same house his parents had rented before him. He was evicted since his landlord needed it for his own family. He has temporary arrangements. He has not been able to find a place to live in permanently.

These are just a few examples of daily occurrences in the life of too many elderly in this country. The Federal Government has the ultimate responsibility for helping to provide basic services for its people, and what more basic service is there than decent and appropriate housing for our Nation's elderly.

So I urge you to see to it that such housing be made available to the elderly, so they can live in dignity as proud and useful members of the community.

Thank you.

Senator DODD. Thank you very, very much, Ms. Standen.

[The prepared statement of Ms. Standen follows:]

PREPARED STATEMENT OF LISL STANDEN

I am Lisl Standen of South Kent, Conn. I have been involved in housing matters for the elderly since late 1973, when I was one of the founding members of Kent Village Housing for the Elderly, Inc., which was able to bring elderly housing to Kent by 1976 through Templeton Farm Apartments, a 24-unit community for elders, financed through FmHA. I have been their executive secretary since the beginning.

Since 1978 I have been housing director for the League of Women Voters of Connecticut; in 1977, I was invited to join the board of directors of Elderly Housing Management, Inc., a subsidiary of the New Samaritan Corp. of Connecticut.

As a member of the advisory council of the area agency on aging of northwest Connecticut since 1977, I chaired their housing committee from 1978 to 1980, and am now a member of the newly reactivated housing committee. From 1978 to 1979 I was chairman of the Kent Commission for the Elderly.

Governor O'Neill appointed me as one of Connecticut's delegates to the White House Conference on Aging, and I requested assignment to the Housing Committee, which unfortunately, I was unable to get, and participated in Committee No. 7, Community Support Systems, which also offered a resolution on Housing. In 1981, I was appointed a member at large of the Central Housing Committee of Connecticut. During the same year I participated with the housing task force of the department on aging.

The housing situation for our senior citizens is becoming more precarious, particularly for those whose income are classified "low or moderate." In Connecticut, 45,000 elderly households, constituting one-quarter of all elderly households, have incomes of less than 80 percent of median income. Studies also have shown that the elderly population within the next 10 years will increase by 20 percent. The 1949 Housing Act has as one of its goals, "the provision of a decent home and suitable living environment" for all elderly families. We are certainly today far from this goal.

In Litchfield County alone, 2,100 elderly persons live in inadequate housing according to a recent HUD study. Federal programs must be guided by the interest of the poorest people, who are now forced to live in deplorable conditions—and a high percentage of these are the elderly, of whom 70 percent live in their own homes.

I would like to urge the Senate Special Committee on Aging to seriously consider and give priority to the following resolutions passed by the Housing Committee (committee No. 8) of the White House Conference on Aging. (Many of the other resolutions passed by this committee and committees Nos. 7, 9, and 11 have constructive recommendations—however the resolutions mentioned below are of prime importance and provide the foundation for an equitable housing program for our elders.)

Resolutions Nos. 257 and 262 stress the responsibility of the Federal Government in cooperation with the private and volunteer sector for providing a wide range of living arrangements in order to meet the social, physical, economic, and spiritual needs of the Nation's elders. It asked that the Federal Government should provide adequate housing assistance under section 8, section 202, and public housing programs, and that through the partnership between the private sector and govern-

ment at all levels 200,000 units per year must be made available to meet the housing needs of all older Americans.

Resolution No. 254 recommends shared housing be included in a comprehensive housing plan.

Resolution No. 266 would increase the real options for elderly consumers for a continuum of living arrangements; and

Resolution No. 250 would help developing home equity programs.

These five resolutions constitute the basic minimum in housing programs covering the various options available. In addition, I would strongly recommend that tax incentives be provided to allow the construction of accessory apartments in existing one-family homes—also alluded to in resolution No. 278. In addition, foster care, a low-cost alternative to nursing homes for frail elderly should be given serious consideration. Resolution No. 217 would be of help in this matter, recommending tax incentives to those would undertake such responsibilities.

I would now like to give the Special Committee a few examples to indicate the need for this suggested legislation:

(1) Templeton Farm Apartments, a 24-unit elderly housing facility in Kent, has been in existence since July 1976. It was completely occupied within 6 weeks of opening and has had a long waiting list since its inception. We now have over 40 applicants and an average waiting period of 4 to 5 years. Whenever there is a vacancy it is filled within 2 weeks. A week does rarely go by without at least one inquiry concerning the status of an application or a request to be added to the long list. Had it not been for Templeton Farm Apartments existence, I could think of at least three of the residents who would by now have been institutionalized. There is a desperate need for additional housing units for the elderly, where they can live in dignity, independence, and with self-respect. Bella Vista, elderly housing in New Haven, with 1,400 units, has an oversubscribed waiting list as have the elderly housing units of the Danbury Housing Authority, which numbers 750 applicants.

(2) A widow, 75 years old, living in the New Milford area with a monthly income of $500, and $1,600 in savings, has had to sell some of her furniture after her husband's death to pay medical bills. She has nothing more to sell. Her house is badly in need of repairs, which she can't afford. She is interested in a reverse mortgage, which she is unable to obtain; the more her house gets into disrepair, the less her chances are to continue living in her home; also the pressure of these conditions make her more prone to institutionalization, a situation she desparately fears.

(3) A man, 65 years old, whose wife is in a nursing home with Alzheimer's disease; his income is $600 a month; he pays $230 a month on the mortgage; he has no savings left after innumerable hospitalizations of his wife before she was admitted to a nursing home; he has bad credit ratings and thus cannot qualify for an insulation loan. His son would be willing to live with him, could he afford to build an apartment above the garage for himself and his young family. There is presently no affordable way to finance such a venture.

(4) A widow, 80 years old, monthly income of $375; she has some savings ($5,000 to $6,000) of which she presently uses $100 a month. She also would be interested in a home equity program.

(5) In Danbury, an elderly lady was evicted by her landlord, taken to a motel room over the weekend, she then was moved to nursing home, but would have been able to live in a group home or congregate housing facility, had there been such facilities.

(6) A 78-year-old woman, living alone in her home, cannot continue to do so. She recently fell, and was found on the floor of her bedroom. There are no other facilities but a nursing home for her, though she could easily and happily live in a congregate or group home at less expense.

(7) In New Haven, a 65-year-old widow lived alone in a two-family house, which she and her husband have owned for 30 to 40 years. Her husband died 4 to 5 years ago. She could not keep up the mortgage payments, because she could not keep the rental apartment in a condition so she could rent it. Her only income is social security, and she was threatened with foreclosure. She was terrified of losing her home and died of a heart attack.

(8) A widower, aged 66 years, rented the same house his parents had rented before him. He was evicted, since the landlord needed it for his own family. He presently has made temporary arrangements, however is unable to find a permanent place. He lives on social security disability.

These are just a few examples of daily occurrences in the lives of many, too many elders in this country. Government has the ultimate responsibility for helping to provide basic services for its people. And what more basic services is there than decent and appropriate housing for our Nation's elders?

So I urge you to see to it that such housing be made available to the elderly, so that they can live in dignity as proud and useful members of their communities. Thank you for your attention.

Senator DODD. We will now hear from Arthur Higgins.

STATEMENT OF ARTHUR E. HIGGINS, PRESIDENT, NEW SAMARITAN HOUSING CORP., NORTH HAVEN, CONN.

Mr. HIGGINS. Thank you, Senator.

About 12 years ago the "bishops"—using it euphemistically because they have other titles, some of them—of Connecticut, decided that what was needed in Connecticut was to generate housing. They put together a corporation of Connecticut Interfaith Housing and they have, since then, assisted in the building of approximately 1,600 units of housing in Connecticut that range all the way from low-moderate income housing, congregate care group homes, and even co-ops on the other end.

And it is out of that kind of background that I am here to speak for a few moments this morning. I also want to dispel a myth about ministers. They don't have to talk forever and I think I can prove that right now.

One of the things, though, that I do in talking, is go around to all kinds of retirement groups all over the State of Connecticut; savings and loan groups, all kinds of people, talking about housing options. We usually give them a sheet of paper which numbers a number of housing options that are available for folks.

The intriguing thing to me about that discussion always is, to bear out your testimony, Marin, that they all say, "We don't want to leave our houses." Remember, these are people 55 to 65, and yet they also recognize that they want to know what time they get on the waiting list if they have to move, and the waiting list in almost all the facilities that we run are 9 years long, so the reality is that you'd better get on when you are 56 years of age, if you can, if you want to move into them when you are 65.

Let me just say three things about fundamental learnings for housing.

Senator DODD. By the way, Reverend, you are familiar with these waiting periods. You mentioned 9 years in all of your facilities. Is that generally true of waiting lists for elderly housing, both the nonprofit housing in your area and other areas as well?

Mr. HIGGINS. I don't know that, and the reason that we say 9 years is simply—there would be hundreds of names. When you start to funnel them down you find a lot of them died, and so on, so that those lists would exchange and expand. But the reality is, I have my name in two places now, and I am not yet 65, because that is the only way to assure that you are going to get in at some point.

I want to say three fundamental things about nonprofit housing. One is that we contend that a person, if they move into a residence while they are still relatively young and active, will live 5 years longer than they would if they tried to stay in their own homes.

Our feeling about that is twofold. One is that as you live in your own home longer and longer it becomes harder and more difficult to maintain, your friends die, you are isolated, you can't make new

friends, you don't have any programing, you don't do yoga and all the things that would keep you physically strong and healthy.

The second learning that has been ours is that very few of our people ever go into a nursing home. Some do, but very, very few. What they do is if they get sick enough they go to a hospital, and they fight like the dickens to get back to their home, and when they get in their home we try to provide services so they can stay there as long as they can, and then they die. So we would have very few people in nursing homes at any given time.

Another thing we found is what do you do—building elderly—we did this in three areas in three towns, and made an examination of that, and in the building of the elderly we found that 76 percent of the people that moved into our facility were overhoused in the places they were at, so that the reality of what really happens is that they were living in 9- and 10-room houses, or 4- or 5-room apartments, and when they moved into the elderly facility they opened up their homes for some other people, particularly young families, and so on.

So that one of the best things to do to open up housing stock for families might be to build an elderly facility.

The third thing I would like to say about nonprofits is that they bring together a whole lot of things in the form of services that can't be done in any other form or fashion. They not only invest a lot of their money; we are building right now in Wilton, Conn., an 85-unit apartment, and I think those local groups, and that local church in that area, have put in somewhere around $600,000 of their own money to make that program work, so that they are willing to invest heavily in funds because they care about people. They get nothing out of it for themselves. This is just a way to show that they have a ministry to people.

Second, they bring volunteers like no other group can bring. I don't care if it is the city, or anything else you want to mention, there is no question that the churches of Connecticut, if they want to, can funnel all kinds of helpful people into that kind of a facility to bring to the people care and attention and so on.

And, third, of course, they are used to doing things and they are willing to do things like provide transportation, provide meals, bring in health services, and so on.

Just one other thing before I stop. The one thing that we found that was interesting to us, and I guess that has been written up in the Congressional Record, when we built one large elderly we did a tremendous amount of things for minority groups, and affirmative action in that particular metropolitan area, because we noticed the patterns of moving after the first people moved into this large facility. And into their homes flowed another group of people, and into their homes flowed another group, and if you took a map you could find the people that moved out of the Dixwell Avenue area, and the Hill Avenue area, and Fairhaven area. We think we did a whole lot more building those 200 units and accomplishing that kind of minority representation in the city of New Haven than as if we had built, let's say, family housing for 200 units. It would have become a ghetto of one kind or another right off the bat. So that is significant as far as my own background and history is concerned.

We do need housing and we need it badly. There are other kinds of programs we could use. We could use a 202 without a section 8, and use it under the same forum as some other kinds of programs, like Farmers Home. There are other kinds of ways this could be financed but there is no question about the need in the State of Connecticut.

Thank you.

Senator DODD. Thank you very much, Reverend.

[The prepared statement of Mr. Higgins follows:]

PREPARED STATEMENT OF ARTHUR E. HIGGINS

One of my tasks is to visit groups of people who are considering their retirement (5 or 10 years hence) and talk to them about "what will be their housing options." What is obvious is that there is, and will be, a desperate need for the construction of elderly housing.

We presently manage about 1,200 units of housing (for elders) and the waiting lists approximate 9 years in length.

The tragedy is that there are many nonprofit sponsors (with land and funds) who are all poised to build and serve, and the funding is drying "up." Can you imagine how long it will take to regear and to get that same interest generated again?

Let me posit three fundamental learnings about housing:

(1) Someone who moves into a nonprofit community will seemingly gain the energy to "live longer" and most certainly will probably never enter a nursing home (few from our communities do).

(2) After examining three communities carefully (100 units in New Milford, 217 units in Hamden, and 156 in Waterbury), it was found that approximately 76 percent of those who became residents moved from apartments or houses (single family) where they had been overhoused. (Obviously this move freed many homes for families in the market place.)

(3) Nonprofit housing (using sections 8, 202, 231, Farmers Home, or whatever) has distinct advantages over housing constructed and owned in any other fashion:

(a) The nonprofit invests heavily with funds to make the community habitable.

(b) The nonprofit has a continuing source of volunteers which gives the community "life and action and meaning"; and

(c) The nonprofit undergirds many programs for the residents and community (throughout the length of the mortgage) such as occasional meals, transportation, and the like.

There are two kinds of housing needs for the immediate and farflung future which would make federally assisted programs meaningful and creative.

The first is for a continuation of the 202 program for nonprofit elderly housing! Even if the only subsidy was the interest rate (as was true 10 years ago) instead of the section 8 program (which is expensive), many low-moderate income folk would have a caring community and would live productively, longer.

The second is that the 202 program designed within public schools (such as we are presently building in Norwalk) is a creative use of older facilities, and has the advantage of strategic location—so helpful for elders.

One last word—in our examination of the housing patterns which flowed after building an elderly community in an urban area, it was interesting to note that more affirmative action was taken (for minority groups to move out of their crowded locations into more spacious surroundings) than ever would have been possible by building the same number of family units (even in scattered site locations).

The housing need is desperate—partially because we have raised expectations, and so now people look forward to moving into such lovely accommodations.

Senator DODD. Dr. Jaeger.

STATEMENT OF DR. MARIE L. JAEGER, TRUMBULL, CONN., DELEGATE, 1981 WHITE HOUSE CONFERENCE ON AGING, REPRESENTING SOUTHWEST CONNECTICUT COALITION ON AGING

Dr. JAEGER. I thought Commissioner Shealy was describing me. We had not talked this over but she had characterized my whole

background. I am going to talk from a very personal point of view. I think I can make my point most dramatically in this way.

I am in that category labeled frail elderly which makes most of my friends and acquaintances smile. But I am 75 years old. I do not know what lies ahead. So far, I have been most fortunate healthwise, capacitywise. But who knows at 75 what lies ahead.

I owned my own home. Notice the past tense. I had lived in Fairfield in a little Cape Cod, compact, convenient for 27½ years. It was mortgage-free at retirement. More than anything, I had something that most people don't have, and that is a lake in my backyard. And I loved it. I liked being in the water; I like watching the water. There was something very satisfying about it. I had my own waterfront dock installation.

I wanted to stay there. But as the years encroached I felt that it was unfair—since I had no family anywhere within reasonable distance—unfair to depend upon friends, family, and neighbors, all who had been most generous.

But I think it was unfair for me to feel that this should be a continued kind of dependence. So I began investigating alternatives. I went to Florida. Went down to Pennsylvania. I happen to be an ex-Philadelphian. Found that there were lots and lots of facilities of a kind that might have interested me in these other areas; lower cost and more in number. But for some foolish reason, perhaps, I decided I wanted to stay in Connecticut and stay in Fairfield County. And that is when the sad tale of woe began.

When the new police department building was opened in Fairfield I went down and talked with the police chief to see whether with their spacious accommodations there it would be possible to inaugurate some kind of an emergency call system so that I would not feel isolated in my little Cape Cod. And after much discussion I was told this was not economically feasible.

It was mentioned that I serve on the AAA board in southwest Connecticut, and I happened to be chairman of the technical review committee which handles the applications and works on the grants.

In southwest Connecticut we have funded an emergency call system, minute at the present time. It is called lifeline. It is in Norwalk. It just has spread into Bridgeport and will go down into Stamford. Very, very small in number. I also serve on the board of CCCI and learned what a coordinated care system could represent should I have the misfortune to need this kind of help, because what I was inquiring about at the police department was an emergency call system with somebody at the end of that call system who could see to it, whatever my level of competence was at that time, physical, emotional, or mental, whatever it might be, to see that I had the necessary service and to see that it was the proper kind of service.

If I had had those two kinds of services available to me I could have stayed in my Cape Cod, and that is where I wanted to be. I was in the community for 27½ years. I was part of Fairfield. I liked Fairfield. I couldn't stay.

I mentioned that I began to investigate alternatives. In Fairfield County you hit the bottom of the list very quickly. So, I settled on one—and this is casting no aspersions on either the concept or the

facility itself—but my description of it for me, is that it is the least undesirable of unsatisfactory alternatives.

I am 75. This is what you resort to, because this is all that is available. I am now living in the independent living units which were built, 36 in number, on the grounds of St. Joseph's Manor. And what do I have? I have an emergency call system tied in with the Manor 24 hours a day, and knowledge and peace of mind knowing that whatever services I need will be arranged for me through that call system.

My fate has been settled. I made my decision. I had to. My plea today is that others like myself in this middle-income group—and I would urge you to consider what middle income means, from the low point to the high point. There is very wide range there. In no sense do I want to indicate that I begrudge to any of the low-income people the services that they need, and deserve, and should have, and I really work very hard to see what we can do to provide this kind of service.

But I don't qualify for any of that, and I don't want to. Maybe with a name like Jaeger, a German background obviously, I want to remain independent. And out of a really low salary as a member of the faculty of a university that was struggling for existence—we were plowing back into it—managed to save enough so that I am not asking financial help from anybody, and I hope I never shall have to.

But there are lots and lots of people like myself, willing to pay for whatever service we need if it were available to us. But you can't do it on an individual basis. So that while I am not in an institution, it is semi. It is on the grounds of a nursing home, a constant reminder that it is up there. It is nice to know that it is there, but it is not the kind of future that I had anticipated.

So I would make a plea for people like myself who can and want to be independent whether it be in terms of the household, whether it be in terms of finances, to think about us and see that there is a continuum of service available to us, and all these types of alternative housing, again, it is being done but on such a miniscule basis.

In Fairfield County, under the area agency, we have a homesharing plan. But it is tiny. All of this needs to be expanded. Fairfield says, yes, you can build a mother-in-law apartment—that is what they call them there—but only if you guarantee that for 5 years only that member of the family will continue to live there.

It is nonsense and there have to be changes, and there has to be some kind of a broad plan that will make it possible for people to stay where they want to be, whether it be in their own homes or in one of these alternatives.

Thank you for listening.

Senator DODD. Thank you very much, Doctor.

[The prepared statement of Dr. Jaeger follows:]

PREPARED STATEMENT OF MARIE L. JAEGER

My name is Marie Jaeger of Trumbull, Conn. I am 75 years old, and, since January 1981, have been a resident of independent living units which have been built on the grounds of a nursing home. I made this move after a thorough study of the alternatives over an extended period of time.

For 27½ years, I had lived in a small Cape Cod house in Fairfield, Conn. Since I could live on one floor, if necessary, it appeared to be an ideal retirement home

after my professional career ended. Very important to me was the fact that my property was waterfront property. I had my own terrace and dock about 25 feet from my back door. I enjoyed the water at any time of the year—for swimming and boating in the summer, for ice skating in the winter, and just looking at it during the entire year.

During my stay in Fairfield, I had made a place for myself in the immediate and surrounding community. For example, I was the first chairman of the Commission on Aging in Fairfield; I was a founding mother of the church which I attended; I was a member of a number of boards and commissions in the Greater Bridgeport area.

After my retirement in 1972 as professor emeritus from a local university, I investigated alternative living arrangements in a variety of locations, both local and along the eastern seaboard. When I reached the decision that I wanted to remain in Fairfield County because I felt I could continue to be a contributing member of society here without the burden of establishing ties elsewhere, I found my alternatives extremely limited.

I had to rule out remaining in my own home when I found that I could not (at that time) arrange for an emergency call system. Because I live alone and have no family within reasonable reach in case of an emergency, I felt I had no choice but to leave my house, even though I had very generous and thoughtful friends and neighbors. I felt it was not fair to expect them to assume responsibility for me.

Because of my work on boards and commissions concerned with the well-being of seniors like myself, I knew that the two safeguards that would have made it possible for me to remain in my home are becoming increasingly available; namely: (1) an emergency call system; and (2) a service which would arrange for what level of care I needed if I were not capable of making my own decisions and arrangements.

However, these services are so limited in availability that they are now serving only a small number of the low-income elderly, and these should be served. Expansion on a "pay for services" basis is being developed very slowly. At the time I had to make a decision, it was not available to me. Sometimes one is penalized for having saved so that one falls into the middle-income group, albeit at the lower end of it. Coming out of a German background, I had always delayed immediate enjoyment to save for future needs. I could not do otherwise.

I am now living in comfortable surroundings and with the knowledge that any services I may need are available to me. It is costly dollarwise and I describe it as the least undesirable of (for me) unsatisfactory alternatives. I know I made the right decision to come here, because with the decision has come peace of mind, along with continued independence.

My plea is that provisions be made for those in my economic bracket—living on a fixed income based on earnings from a struggling educational institution, which earnings ceased with my retirement in 1972, when inflation began to have its full impact—as well as for low-income people.

I would plead for others that the two requirements which would have made it possible for me to remain in my little house on a lake be made available to others. Then, if the time comes when people should leave their homes, I hope, too, that housing and services of varying types, ranging from shared housing, auxiliary apartments, cooperative units, congregate living, etc., and, when necessary, nursing home beds, will be viable options. A continuum of housing choices from completely independent living to a highly protected environment, along with the appropriate health and social services, should be available.

Senator DODD. Before I ask any questions, I would like to point something out to our audience. I guess there are those of you who would be delighted to know that I was looking to the right, but that I failed to look to the left. I would like to mention now that there are other members of the legislature here. We are delighted to have Norma Capoletti with us too. My apologies. It is not often that I look to the left. Is that right, John? [Laughter.]

First of all, let me thank all three of you for your testimony. Ms. Standen, you were talking about the Templeton Farms Apartments and mentioned they had been built with money from FmHA, the Farmers Home Administration. I should point out that money for FmHA has been reduced significantly. It will probably go the way of the Department of Education, the Department of Energy, the

Economic Development Administration. And FmHA has provided an awful lot of assistance, particularly in rural smaller communities for people who could never afford housing at all. That program is greatly reduced now as well. The administration says that FmHA is one of those terrible programs with waste, fraud, and abuse. The administration doesn't say that FmHA provides people with one of the most basic of necessities—housing.

You mentioned as well that a recent HUD study found that in Litchfield County alone some 2,100 seniors live in inadequate housing. Do you know any of the details and why the housing is inadequate?

Ms. STANDEN. I think the inadequacy there is both physical inadequacy with leaking plumbing, not adequate, but also overcrowding. I think overcrowding is part of the criteria in establishing inadequate housing. I am thinking primarily in Litchfield County, since I live there, if your houses are not well insulated, they certainly are inadequate in the winter, and if the individuals have no additional heating systems, which most of the elderly are not able to handle and carry the wood in. They are exposed to hypothermia and this, I think would certainly be a result of inadequate housing.

Senator DODD. Reverend Higgins, I appreciated your testimony. Having personally witnessed and participated in one of your programs, I can say firsthand what a tremendous job you do. I wonder if we couldn't get you and Dr. Jaeger together.

I am not suggesting anything other than working together. [Laughter.]

Congressional hearings provide a lot of opportunity for that.

I think you'll agree, Reverend Higgins, that Dr. Jaeger's point that there are so many people who could live in their own facilities is very well taken. By the way, many of these people could become sponsors of or actually provide housing for others. We're not necessarily referring to those living in a small Cape Cod. But many people have larger homes and could be utilizing some of that space through homesharing, and so forth, except they can't get the services they need.

And, frankly, given the fact that we are under and going to be in an economic crunch for the foreseeable future, we have to do more to use existing housing. Even though we might get the present level of the President's request for housing, up from zero to 20,000, or 30,000 units of elderly housing nationwide, we all know that that is hardly going to really make a dent. So it seems to me we have got to be far more creative in utilizing the existing facilities that we have.

And if, in fact, people presently have homes that they can't manage because they can't get services that they need, maybe we can mobilize some of the voluntary nonprofit organizations to help provide those services. Maybe be you do already, Reverend Higgins. I don't know if you do or do not provide such services. Would you care to comment on that?

Mr. HIGGINS. I will communicate your message to the bishops. They can do anything. [Laughter.]

Senator DODD. Dr. Jaeger, I think your points are also very well taken. You hit the nail on the head, as they say.

Dr. JAEGER. It is not going to cost a lot of money, you know. That is the irony of it.

Senator DODD. I know.

Dr. JAEGER. I gave up my house. It is costing me so much more to be where I am. It is possible only because I got a crazy price for the house, which I liked, and somebody else liked. The first person who walked into it bought it. It was so desirable. But I am paying much more for the two simple kinds of services that I needed to stay there. That is the irony of it.

Senator DODD. I will ask Commissioner Shealy and Commissioner Canale if they have any questions for any of you. I want to thank all three of you for participating this morning and sharing your views and thoughts with us.

Any comments?

Commissioner CANALE. No.

Commissioner SHEALY. No.

Senator DODD. Thank you all very, very much.

I will now hear from our social services panel. We have two witnesses, Marvin Kay and Lynn Freedman. I would ask both of them to approach the witness table. Marvin Kay has worked as a social worker and planner with the Office of Housing and Social Services in West Hartford. He is a member of Commissioner Shealy's task force on housing as well.

Lynn Freedman is a planner with the Community Council of the Capitol Region, Inc., here in Hartford, and has spent many years as a volunteer working with the Family Service Society, focusing on elderly issues here in Hartford, Conn., Rockville, Md., and Rochester, N.Y.

Mr. Kay is going to give us a human picture of the kind of older Connecticut residents who own larger homes and need or would like to have something smaller.

Ms. Freedman is going to talk about the various social services which have been made available to some semiindependent seniors. Maybe I should have gotten you together with Dr. Jaeger instead of trying to match her up with the reverend.

But, at any rate, we are grateful to both of you for being here. Let me give the same admonition I had for our earlier witnesses. If you would care to paraphrase your remarks and would like to submit your testimony for the record it will be so included. I am delighted to hear from you both.

STATEMENT OF MARVIN KAY, SOCIAL WORKER AND PLANNER, OFFICE OF HOUSING AND SOCIAL SERVICES, WEST HARTFORD, CONN.

Mr. KAY. I read this just before I came and it was 6 minutes, so I think I can stay under the time period.

Senator DODD. Fine.

Mr. KAY. Almost 70 percent of Connecticut's elderly over the age of 60 own their own homes. For the most part, these homes are mortgage free. Generally, the average market value of homes

owned by Connecticut's elderly is substantially lower than that of homes owned by people who are not elderly.

If we use the town of West Hartford, in which I work, as a microcosm of the State, you find almost 3,000 elderly people over the age of 65 living alone in their single-family homes in towns.

Generally, it is a six-room home, but a large number also live in homes of seven-, eight-room, and even larger homes. In a survey taken in 1981, the town mailed out 220 questionnaires and received 90 responses to elderly homeowners in West Hartford who were receiving tax refunds which were aimed to assist them in helping pay their town taxes. They must be at least 65 years of age and have incomes below $11,000 for a single person and below $13,100 for a couple.

At least one-third of these homeowners indicated to us the difficulty of maintaining their homes; the changing of storm windows, simple repairs, grass cutting, snow shoveling, et cetera, often are beyond their physical abilities to do so.

The simple answer: Why don't they hire someone to do these tasks? Well, they are not able to because of the high cost of hiring maintenance help. A large number of these older homes that the elderly live in are not being maintained properly, leading to hazards to their health and safety.

In the town's rehab program we have assisted over 80 elderly families. The general problems are poor insulation, leading to excessive heating costs, the need for new roofs, inadequate electrical and plumbing services, peeling paint in the interior and exterior of their homes.

In terms of emergencies, we tend to assist the elderly more than any other age group in terms of emergency repairs or replacement of deteriorating heating systems. Fortunately, because the town participates in a community block grant development program we are able to assist a number of these families when emergencies arise.

Half of the families responding to us indicated that their incomes were below $8,000 a year. If one looks at the cost of maintaining their home, which includes paying taxes, heating, electric, water, insurance, and telephone bills, and in some instances continued mortgage payments, we find many spending upward of 40 percent of their income and remaining in their homes.

It is often stated if the elderly sold their homes they would have enough income from the equity in their homes to find either a rental apartment or condominium that would be more suitable to their economic and physical needs. This is easier said than done.

Many of the elderly view their home as the most stable thing in their lives. The thought of moving their cherished possessions from their larger homes to smaller apartments is often a repugnant one to them. It is also a home filled with memories where they raised their families. They like the additional bedrooms when the children and grandchildren come to visit with them.

The closeness of neighbors, friends, churches, synagogues, stores, and communities are exceedingly difficult for them to give up if they contemplate on moving. Just the thought of moving may overwhelm them psychologically.

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On the other hand, if they decide to move, where would they go. Most would want to remain in their community. At the present time the vacancy rate in West Hartford is between 1 and 2 percent. And according to our survey,[1] 36 elderly residents would consider moving to a moderately priced rental apartment for the elderly if one was available.

We have long waiting lists for subsidized apartments in West Hartford at Federation Square, Fellowship Housing, and the Elm Grove Apartments. I think Federation Square is about 400, Elm Grove Apartments, which is a 40-unit complex under the State housing program. There is about 150 presently for section 8 existing. We have about 160 on our waiting list.

But just to give you an idea that the elderly would like to participate in the program. We don't have anything available at this time. Hopefully, Plant School might be converted to elderly housing. That is still a big question mark at this time.

The chances of finding rental apartments in West Hartford are exceedingly slim. As our population continues to gray the problems of how we house our elderly in Connecticut in the future will continue to grow. And government answers to resolving issues at the local, State, and Federal level must utilize more innovative approaches—I think many of them were mentioned today—if we are to succeed in solving this impending crisis.

Listed below are cases that are typical of some of the elderly as it relates to their housing problems. These are examples that we found in West Hartford.

Widow, age 75; income, $6,161. Her mortgage and taxes are $298.98. The house she lives in is an old, large, 12-room home. She lives alone. More than half her income goes toward her mortgage and taxes. She has closed off a number of rooms in order to conserve her heat. She had the following repairs completed: Four rooms had badly damaged ceilings, replacement of her roof and gutters and leaders. The total cost of repairs to her home were $7,250.

Couple, man, 88 years old, a woman 83 years old. Income, $11,000 a year, taxes, $850 a year. Seven rooms, the man is blind, the woman has a heart condition, unable to climb stairs, she sleeps on a couch downstairs, they live alone. Before participating in the rehab program they had no functioning bathroom downstairs. Several walls and ceilings were damaged and needed to be repaired. The front and rear steps were rickety and dangerous to be walked on. The basement water pipes were rotten and needed repairs. The town spent $6,800 to repair the above items. This couple had to pay 20 percent of that amount.

I think there are other examples, but I think the idea is that this is not atypical. These are the kinds of things that we have assisted the elderly with. They live in older homes that often there needs to be insulation to make them energy acceptable and that is what we are trying to do.

This program has helped and I think the program should continue, and I think the idea of finding rental apartments in the State, if you really—I think I know the rental market and the exceeding-

[1] See appendix 1, item 1, p. 73.

ly difficult problem to say where the elderly can go, what are the options. There are few.

Senator DODD. Thank you very much. Please proceed, Ms. Freedman.

STATEMENT OF LYNN FREEDMAN, PLANNER, COMMUNITY COUNCIL OF THE CAPITOL REGION, INC., HARTFORD, CONN.

Ms. FREEDMAN. I am going to read mine also because that probably will be shorter than trying to paraphrase it as I go along.

I have been asked to respond to the following questions: What kind of social services have to be made available for senior citizens who are not entirely self-sufficient? How are these services now integrated into housing projects and how can they best be given to those who live in their own homes?

The growing realization of the importance of the need for social services for the semi-independent elderly rests on: (1) The increasing numbers of elderly and their increasing percentage of the general population; and (2) the recognition of the heterogeneity of the elderly population. In fact, they represent a continuum of need from the independent self-sufficient elderly through varying degrees of disability, to the elderly in need of the limited care or skilled nursing facility. The commonly accepted demographic indicator of need for the semi-independent elderly is the frail elderly, a term you have heard before, citizens who are 75 years and older.

The 1980 census shows that the frail elderly make up about 27 percent of the elderly population in Connecticut. Projections for 1990 expect this percentage to grow to over 30 percent. The rationale for the development of at-home services for the semi-independent is the protection of the independence of the elderly, and prevention of premature or inappropriate institutionalization.

This is supported by the findings of the University of Connecticut Institute of Social Inquiry Elderly Needs Survey in which the majority of respondents indicated that if they needed medical care they would prefer to receive it in their own home for as long as possible.

The social service needs of the semi-independent group vary with the specific needs of each individual but, in general, they are some combination of homemaker assistance, home health aide, nutrition, especially home-delivered meals, chore assistance, which may include shopping assistance, transportation, nursing service, and companionship.

The key factor is that these services are not needed on a 24-hour basis. They are a support system for the elderly who need some help to function in the community. In many cases, the senior citizen might use an informal support network to meet these needs by utilizing his or her own financial resources, family, friends, and neighbors, as necessary.

The need for a formal support system supplied by social service agencies is necessary to aid those who have exhausted all their personal and informal resources or to supplement the senior citizens informal support system.

In terms of integrating social services into housing projects, I had a little quick survey made of the local housing projects in the capi-

tal region. Local public housing authorities operating elderly housing projects and/or family projects expect applicants to be able to care for themselves and to maintain appropriate personal and household hygiene and safety. Wheelchair applicants who meet the above criteria are acceptable.

At the point where the elderly resident becomes a danger to him, or herself, or to others, or cannot maintain standards of hygiene, the housing authority expects that the individual will be placed out of the housing project and into a more sheltered environment.

There may be a loose coordination between a town's social service department and the housing authority, but it is usually an informal one based on personal contacts. Sometimes, though, an elderly services coordinator or worker may be stationed on the premises of the project itself and links up the resident with appropriate services. In this manner, there might be some oversight of the residents by the housing authority, coupled with coordination by the social service department when the resident begins to need services.

If the resident has a family suppport system the housing authority will expect them to be responsible for the individual. The housing authorities are just now beginning to realize that the aging-in-place of the senior citizens in the projects presents a growing need for the provision of support services. At this time there is no formal integration of services within housing projects. Provision of these services to those who live in their own homes—and I mean apartments and single homes—depends upon the ability of the senior citizen to purchase the needed services and/or to gain entry into the social service system.

A social service model for the delivery of services might be the service broker model, whereby a coordinating agency which itself does not provide services, acts on behalf of the client to garner needed services.

Direct service agencies offer multiple entry points into the delivery system. A client has to contact each one for the service they provide. A difficult part of the provision of these services is locating the isolated senior citizen.

Another part is the fact that some senior citizens do not really know how to negotiate the social service system out there and don't know where to start calling or what to ask for.

Those seniors who do not have the financial resources to purchase these services may not be able to get needed support services in the community and thus, may suffer premature or inappropriate institutionalization.

With increasing age comes increasing frailty and disability and the need for some sort of help for the individual to remain as independent as possible for as long as possible in his or her own home.

Thank you.

Senator DODD. Let me just ask you something here, Mr. Kay. You said there were some 3,000 elderly people in West Hartford living alone in single-family units.

Mr. KAY. Right.

Senator DODD. And these are anywhere from 4-, 5-, 6-, up to 11-, 12-room homes.

Mr. KAY. Generally six and then up.

Senator DODD. You also have a vacancy rate of between 1 and 2 percent in the community. West Hartford is one of the more affluent communities in the State. I tried to take a quick look at your survey. Was any effort made to ask those who presently have their own homes what their feelings would be regarding home sharing?

Is there a percentage that would like to get out of the homes and rent a smaller unit, but because of the unavailability of such units in West Hartford cannot? What is your assessment?

Mr. KAY. We attempted to encourage this idea and work with Jean Petty, who has a home-sharing program from child and family services. We have taken out ads in some of the local newspapers to promote this approach. It is something that people choose not to do at this time, and I think it is probably the feeling that, "What if that person gets sick; what am I supposed to do?" "How will we get along together?" It really really needs significant social service assistance to make this marriage work.

And I think there are agencies right in town that can help do this. I think the more we can promote this idea the more it will take off.

Senator DODD. Could you give us some indication of how many individual homeowners were assisted by your block grant program in West Hartford?

Mr. KAY. Approaching 300, and about 80 of those were elderly.

Senator DODD. And all were below the income level of $11,000 for a single person and $13,000 for a couple?

Mr. KAY. It would be section 8 existing as the financial criteria used for our program.

Commissioner SHEALY. I think, Ms. Freedman, you were alluding to the fact that home care services could be used if they were available. I think you also mean, and I don't mean to put words in your mouth, that if they were available in a coordinated way some people can pay for them, others cannot, and I think that is an important point.

Ms. FREEDMAN. I think so. I think we have to realize—it's my impression from experience in this field—that people come to the social services agencies after they have exhausted their own personal resources, including their financial resources, and the kind of help they might be able to get from friends, or families, or neighbors, and so it is at that point that the social service system has clients, and their ability to pay for it may be negligible.

Commissioner CANALE. I was interested in your comments with regard to the public housing programs and their ability to offer social services. I found that when we were involved, or when I was involved in the program on the scene, our problem was that under the system that was given by the Federal Government Performance Funding System at 100 percent was inadequate to operate.

So that consequently, when you are in a public housing program you are expected to be able to provide all these other services at no cost, and that was the problem that we had. We didn't have enough money to pay for the heat, light, and power. We kept using up all the reserves that we needed to replace roofs, stoves, and so forth, and we found that there just wasn't anything available for us to be able to do it with.

They realized the problem and we have been fighting for years, in fact, I have in the national scene for many, many years to say to the Federal Government, even though we are in the housing business, you are expecting us to do social service work, and we are more than glad to do it, providing you give us some kind of ways of doing it.

Ms. FREEDMAN. I think that is the problem. As I said to Commissioner Shealy just before, people who don't live in housing projects, and people who do live there, come to social service agencies for support when they can't do it themselves. And then it is a question of who has to pay the bill. And housing projects, when putting together the formula for rent, are not allowed to include any provision for providing the social services that might be needed.

Senator DODD. The only problem is that when they complain to the Federal Government, the Federal Government says, "Well, this is an ineligible expense for the housing authority to spend money on."

Ms. FREEDMAN. Right, that is it.

Commissioner CANALE. The only problem is there isn't any money there to spend.

Ms. FREEDMAN. Perhaps something can be done about it.

Senator DODD. Thank you both very much for your testimony this morning.

We have two panels left. Why don't we take a 5- or 7-minute break before we convene our last two panels? The hearing will stand in recess.

[A brief recess was taken.]

Senator DODD. We will reconvene this hearing with the two remaining panels yet to testify.

The next panel we will hear from is the alternative ideas panel. We have four witnesses that I would like to introduce. The first is Jonathan Frankel; the second is Peggy Chapin; Otto Paparazzo is our third witness; and Patrick Hare is our fourth.

Mr. Frankel is the director of the Sheldon Oak Central, Inc., a congregate project in Hartford. He has a masters in social work from the University of Connecticut School of Social Work and has spent the past 7 years working with the elderly in a variety of capacities. He has spent the past 3 years working in housing production.

Peggy Chapin has worked as a regional planner for the past 6 years with the Southwest Regional Planning Agency, and has a degree in public administration.

Otto Paparazzo is a well-known developer in the State. He has built some very, very fine projects here in Connecticut. He has been involved with the development, design, and construction of residential and commercial buildings in Connecticut for the past 32 years—I don't believe that figure. What were you, 1 year old when you started out?

Mr. PAPARAZZO. I started young.

Senator DODD. He was an original developer and builder of the Landmark project and Heritage Village in Southbury, Conn. He has worked on innovative community development projects in Connecticut, Massachusetts, New York, Florida, and Arizona. He is a member of Commissioner Shealy's task force on housing as well.

Patrick .Hare is a private planning consultant in Washington, D.C. He has served as a consultant to HUD's Office of Policy Development and Research here in the State of Connecticut's Department of Housing. He has published many articles on accessory apartments in professional journals and newspapers.

We are delighted to have all four of you here today. I will repeat again an admonition concerning written testimony that you may nave prepared. If you would like to submit it, without objection, it will be included in the record in its entirety. If you care to go through it as you have prepared it, that is your prerogative as well.

We will first hear from Mr. Frankel who is going to talk about new ideas for leveraging dollars from a number of sources to pay for congregate projects. He will also give us a history of his particular project in Sheldon Oaks Central, where he is renovating an abandoned building in Hartford to provide 32 units of congregate housing.

Mr. Frankel.

STATEMENT OF JONATHAN FRANKEL, DIRECTOR, SHELDON OAK CENTRAL, INC., HARTFORD, CONN.

Mr. FRANKEL. Thank you, Senator. I work for a nonprofit, church-sponsored housing development corporation called Sheldon Oak Central, Inc. Over the last 3 years I have been working on developing a demonstration congregate elderly housing project serving low- and moderate-income elderly in the city of Hartford, Conn.

For your information, I would like to just very quickly define what I mean by congregate elderly housing. Basically, it provides the socially isolated and more frail and impaired elderly with a combined housing and support service program. The cornerstone of the congregate housing concept is that the housing and services are provided within a particular project.

By support services I mean at least one meal a day 7 days a week, housekeeping assistance, and personal, social, and recreational services, all of which can come in a variety of forms. Our particular project is proposing to renovate a vacant commercial building in the city's premier urban renewal district called Congress Street, right near Hartford Hospital.

We have been able to leverage a variety of public and private dollars to try to renovate this particular building. For example, we received through the State Department of Housing and Commissioner Canale's assistance, a $500,000 grant. We have also received a commitment from Connecticut Mutual Life Insurance Co. for a $365,000 permanent mortgage at 11 percent for 15 years.

We have also secured $60,000 from the city of Hartford through the community development block grant program, and an additional $5,000 grant from the CML Insurance Co. as seed money.

Finally, since the building is privately owned and we are, in effect, a long-term lessee, the building owner is going to sell to private investors a tax shelter in the building. This tax shelter sale is known as a syndication and would provide our project with additional equity dollars. We expect at least $175,000 to be put toward our particular project from the building owner through the syndication investment.

We have also been able to obtain from the city of Hartford 32 units of HUD section 8 moderate rehabilitation which importantly secures the financial feasibility of the entire project as well as allows low-income elderly to be able to take advantage of the services and of the housing that our particular project proposes.

Finally, we have fronted over $20,000 of our own seed money for architectural fees, et cetera, while the Conference of Churches has been able to raise over $60,000 for the planning and implementation of this project through the critical support of the North Central Area Agency on Aging and the Hartford Courant Foundation.

I think seed money is critical in any kind of project and I think a lot of perhaps nonprofit organizations don't realize that. Up-front money is really necessary in order to bring a project to the point where we are now.

I would also like to say that since we are in the inner city, our support services network is relying on neighborhood service providers to help augment the services that we would provide in-house, such as the meals and housekeeping assistance. We have been able to work with local senior centers while the city of Hartford has been very cooperative in trying to help establish a system which would be more cost-effective than our taking the services on ourselves.

So we are going to be trying to utilize existing services from the neighborhood to help the elderly get the specific services they need at hopefully a more cost-effective rate.

The other thing I would like to mention is the need for this type of housing, and I would just like to say, for example, the city of Hartford in a recent report estimated that between 12 to 15 percent of their seniors are in need of congregate housing and that that translates into around 1,500 individuals.

These people are typically viewed as lacking adequate nutrition, living in deteriorated housing, experiencing mobility problems and having limited access to a variety of support services.

A north end of Hartford assessment study in 1978 found that approximately 50 percent of their elderly lived alone, a whopping 64 percent had a handicapping condition, with this percentage increasing as they got older, and finally, 89.8 percent were on minimal social security benefits.

So clearly, that data seems to support that elderly people are living below the poverty level, and are in real need of both housing and support services.

Finally, the Hartford Housing Authority found out in a very in-depth and comprehensive survey, that 18 percent of their elderly reported difficulties with building accessibility, 10 percent had difficulty cooking, 18.5 percent had difficulty shopping, and 32 percent had problems doing heavy housework. And those are the kinds of problems that our particular project seeks to address.

In closing, I guess I would like to say that in our situation, the Federal support is fundamental to making a project work for low- and moderate-income elderly. And without it I don't think we would be where we are today.

I think there are also opportunities to do other congregate-type projects with less dollars and still provide important services. I

sometimes feel that our project tried too many complicated things in terms of moneys, renovation, and so forth.

For example, perhaps in a building which houses maybe 75 percent elderly, the only thing that is preventing those folks from remaining there is the fact that they have got to walk up two flights of stairs, or they have to walk up a set of stairs to get into the building.

A ramp perhaps could take care of those people. So I think if there is more creative uses of scarce dollars—there should be more dollars for sure—perhaps there might be a different emphasis. Rather than full renovation, which is still necessary, maybe there are other creative ways of bringing support to those people in order for them to remain in their own community.

I also would like to mention that the HUD congregate housing program service moneys does not help us because we are restricted from participating. HUD's particular program regulations were written to exclude projects such as ours, which is being subsidized from the section 8 moderate rehabilitation program.

It only allows section 202 sponsors or public housing projects to be funded under that program. So in our case we couldn't expect to apply for the congregate housing program demonstration moneys, and I think that needs to be looked at, because our project should be allowed to compete with other 202 sponsors, et cetera, for those dollars. I don't know how that could be changed, but that would be another recommendation I would make.

One final point I would like to say is that our project also has created a unique shared unit concept where two people have their own private living-sleeping area and bathroom, but they share a common kitchenette. So you have two people sharing a kitchenette, which is very innovative for the State. Both Commissioners Canale and Shealy have, thankfully enough, gone out of their way to make this design reality possible. I think we are the only project in the State that has received approval.

We see this as being very important. We see it as a way for people to be more cooperative. Say someone says, "I don't feel like cooking breakfast today," or, "We can work out some kind of buddy system where I will cook today and you can cook tomorrow." There is more of a sharing kind of approach which we feel is very critical to the concept of congregate housing.

Thank you very much for this opportunity, Senator.

Senator DODD. Thank you very much, Mr. Frankel. I appreciate it.

[The prepared statement of Mr. Frankel follows:]

PREPARED STATEMENT OF JONATHAN FRANKEL

I would like to submit written testimony for the record in advance of the Senate Special Committee on Aging hearings you are chairing in Hartford on February 1. The testimony I have prepared is as follows:

Over the last 3 years, I have been working on the development of a low-income demonstration congregate elderly housing project in the city of Hartford. Through our church-sponsored, nonprofit housing development corporation, Sheldon Oak Central, Inc., we have attempted to create an innovative congregate program offering the socially isolated and more frail and impaired elderly the combined housing and supportive services necessary to maintain a semi-independent lifestyle. The support services we intend to provide would include meals, housekeeping assistance, and personal, social, and recreational services.

More specifically, our particular project is determined to renovate a vacant commercial building into 32 units of low-income congregate elderly housing. The building is located in the city's premier urban renewal area known as Congress Street, and most importantly, is in close proximity to Hartford Hospital, public transportation, and a variety of neighborhood and convenience services.

We have established a unique public/private financing arrangement to cover the project's total development costs, recently estimated to exceed $1,100,000. To date, we have secured the following moneys: (1) Received a $500,000 grant from the State of Connecticut Department of Housing, (2) obtained a permanent loan commitment from the Connecticut Mutual Life Insurance Co. (CML) for $365,000 at 11 percent for 15 years, (3) secured a $60,000 grant from the city of Hartford (CDBG program), and (4) obtained a commitment from the building owner, Martin-Belair & Co., to provide $175,000 in equity through a private syndication investment.

Sheldon Oak Central has also received approval from the city of Hartford for 32 units of section 8 moderate rehabilitation which most critically secures the project's financial viability and our housing low-income elderly. In addition, we have fronted over $20,000 to cover our preliminary development costs while the Capitol Region Conference of Churches has raised an additional $60,000 for the planning and implementation of this unique project.

I would also like to mention that we are the first congregate project in the State which has received approval for our shared unit design arrangement. This design consists of two people, each with their own private living/sleeping area and bathroom, but share a small kitchenette. We believe the application of this concept would result in the increased cooperation and socialization between residents, a modest reduction in capital equipment costs, and the demonstration of a "buddy system" for safety and security.

One final point I would like to emphasize concerns the demonstrated need for this type of housing. An accumulation of data from a variety of local and State organizations serving the elderly dramatize the seriousness of the present situation:

(1) The city of Hartford Planning Department in a recent report evidences the lack of secure and accessible housing initiatives for the elderly by waiting lists of 5 years or more for new, low-cost housing. The report also indicates that roughly 12 to 15 percent of Hartford seniors or 1,500 individuals are in need of congregate housing. These elderly are typically viewed as being socially isolated, lacking adequate nutrition, living in deteriorated housing, experiencing mobility problems, and having limited access to a variety of support services.

(2) A North End of Hartford Assessment Study of the Elderly in 1978 describes these disturbing statistics about their population: (a) Approximately 50 percent of the elderly surveyed live alone; (b) a whopping 64 percent had a handicapping condition (ages 65 to 69) with this percentage increasing as they grew older; and (c) and 89.8 percent of those contacted were on social security with minimal benefits. Certainly, a very large percentage of these elderly are presently living well below the poverty level.

(3) Another analysis of the targeted population in congregate housing was done in 1979 by the former State of Connecticut Department of Economic Development. They uncovered in a study on congregate housing three significant trends: (a) The elderly population in the State between 1980 and 2000 will grow by 15.1 percent—more than twice as fast as the total population; (b) in only the last 2 years, there has been a 22 percent increase in the number of elderly households below the poverty level; and (c) an estimated 45 percent of all elderly persons have some type of disability with 23 percent having mobility problems.

(4) Finally, a recent survey (1980) by the Hartford Housing Authority confirms statistically the problems and demands facing some of the elderly in public housing. The authority's in-depth and comprehensive study found that: 18 percent report difficulties with building accessibility, 10 percent difficulty cooking, 18.5 percent difficulty shopping, and 32 percent problems doing heavy housework. Clearly, the data supports the need for programs which remove architectural barriers, provide frequent meal service, and assist residents in performing heavy housekeeping chores.

In closing, I thank you, Senator Dodd, for the opportunity of participating in these important hearings. There is clearly a tremendous need for a variety of alternative housing options for Connecticut's older population and hope that the sharing of our experiences will help your efforts to establish additional demonstration projects throughout the country.

Senator DODD. Peggy Chapin.

STATEMENT OF PEGGY CHAPIN, REGIONAL PLANNER, SOUTHWESTERN REGIONAL PLANNING AGENCY, ROWAYTON, CONN.

Ms. CHAPIN. Senator Dodd, ladies and gentlemen, I have submitted a prepared statement [1] to this hearing which substantiates the problems of the elderly who are trying to sell their overly large houses in today's market, and those who are trying to find a vacant rental unit.

In my opinion, the answer is accessory apartments. And let me explain why. First of all, and this has been said already, but I can't emphasize it too much, an accessory apartment is a subordinate use of a single-family house. Usually it is regulated in size, either 600 or 700 square feet. Most often no exterior changes are allowed, and quite often elderly occupancy is required in one of the units.

This is a very low-cost solution to elderly housing. Westport has estimated that the average conversion cost at approximately $20 per square foot, and that is maximum. That is when you need both a bathroom and a kitchen. This can be compared to new construction for elderly housing at $50 per square foot.

Let me give you an idea of some of the advantages in accessory apartments. The main advantage, as I see it, is that they are the only way to increase the supply of rental units today. Rental units are simply not being built because they are no longer economically feasible, that terrible term. They will also increase your total housing stock, and this is terribly important when you have vacancy rates around 1 percent.

Furthermore, they satisfy the need for small housing units which are simply not being built due to the high cost of land. No one is going to put a small $50,000 house on a $150,000 building lot. And yet, in Connecticut and in our region, over half of the households are one or two persons. There is a great need for these small units.

Another byproduct of accessory apartments is code enforcement. We have many, many illegal apartments which have no inspection whatsoever. They can be heated by portable heaters. The wiring is often inadequate. Illegal apartments are allowed to exist because, even though they are quite obvious, everybody throws up their hands and says, "But where would those people live," and indeed it is true.

An accessory apartment provides additional money for those on fixed income, and thereby is a way of preserving housing stock. Somebody just making ends meet is certainly not going to be able to invest in costly maintenance. This can lead to deterioration of neighborhoods.

There is great security for the elderly in knowing that someone else is in the house whom they can call in case of emergency.

Energy conservation is also possible with common wall construction and the fact that you are heating two units for the same amount of fuel you used for one large unit.

There are those that argue against accessory apartments. The main argument is, again, the single-family character, that is, that they will, in fact, make two family zones out of single family zones. I submit this is really not true. In a two-family zone you have two

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[1] See p. 41.

principal housing units with two obvious entrances, and it is easy to spot a two-family house. An accessory apartment is almost impossible to detect. In Weston, where they have got 200, you can drive around all day looking for an accessory apartment. They are difficult to spot. Accessory apartments maintain the single-family character of the house and the neighborhood.

Furthermore, many municipalities allow a professional office or a home occupation as an accessory use. Accessory use has not made those zones into commercial zones, so there is no reason to think that an accessory apartment will make a single-family zone into a two-family zone.

The erosion of property value is also a great fear. But, in fact, property values have not been eroded in the towns with a long history of accessory apartments. Indeed, the argument can be made that a housing unit's market value will go up given the attractiveness of rental income to potential buyers.[1]

You had asked what our role was in accessory apartments. Mostly it has been technical assistance, public education, and advocacy. Local initiative is imperative, and I am happy to say, out of our eight towns, four towns allow accessory apartments. The fifth, Darien, has an ordinance which is before their planning and zoning commission. They have already held a public hearing on it. It went pretty well.

Norwalk's mayor has just—I brought the newspaper article with me—just requested his planning and zoning commission to put through an accessory apartment ordinance, so that looks pretty good.[2] Stamford and New Canaan may take a little longer.

There is one major problem. If lower-income elderly are to benefit from accessory apartments, capital funds must be obtained initially. Although rental income from accessory apartments will, in time, return conversion costs, the conversion may cost as much as $12,000. If you are a low-income elderly person you are probably not going to be able to get a loan which will allow you to take advantage of additional income and security.

Greenwich has solved this problem. They have gotten together a nonprofit church-sponsored group and they are going to use $45,000 in community development funds to create a revolving conversion fund.

Sue Hutchinson, first selectman of Weston, has suggested that we put together a regional revolving fund under the auspices of the Southwestern Regional Planning Agency. Therefore, I was going to suggest that if you wanted an innovative HUD demonstration grant this might be a good project because it is a low-cost way of creating housing for the elderly, and it is the only way that low-income elderly are going to benefit.

Thank you very much.

Senator DODD. Thank you very much for your testimony. I will come back to ask you some questions later.

[The prepared statement of Ms. Chapin follows:]

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[1] See appendix 1, item 2, p. 74.

[2] Retained in committee files.

Prepared Statement of Peggy Chapin

PARAMETERS OF THE ELDERLY HOUSING PROBLEM

Increasing age cohort

The elderly population (aged 65 plus) is growing in the southwestern region, as it is in the State, and, indeed, the Nation. In 1970, this age group was 9 percent of total population. By 1980, the elderly represented 11.4 percent of the regional population.

Of course, some municipalities have a higher percentage. For example: Greenwich—14 percent, and almost one-quarter of total households; Stamford—12 percent, and almost one-fifth of total households.

Furthermore, the region as a whole has a very high median age (over 35 years in most towns, and as high as 38.7 years in Greenwich, compared to the national average of 30 years). This indicates that the elderly housing problem is likely to grow in dimensions.

Renters as a percentage of elderly households

Renters are 42.1 percent of elderly households in Stamford, where the vacancy rate is 2.1 percent; 31.5 percent in Norwalk, where the rental vacancy rate is 1.3 percent; 27.7 percent in Greenwich, where the vacancy rate is 0.9 percent. Some elderly prefer to rent to avoid the headaches of homeownership. Others are forced to rent by financial necessity.

COST OF RENTING

Mean rent asked in the region ranged from: $281 in Norwalk; $335 in Stamford; $387 in Greenwich; to $451 in Darien. (Source: 1980 census.)

Housing consultants Scott Fitton & Co. have calculated rental housing affordability as follows: A monthly rental of $300 requires an income of $14,350; $315 requires an income of $15,100; and $365 requires an income of $17,400.

Affordable housing

By tabulating those households who receive property tax assistance in the region, we know that at least 6,909 elderly households received an income under $15,000. They can afford less than $315 a month rent, which is lower than the mean rent asked in every municipality except Norwalk.

RENTAL UNIT SUPPLY

Few rental units have been built in the last decade. It is simply no longer profitable as a result of rising maintenance and operating costs which include interest rates. Commercial mortgages which are used for existing rental properties "roll-over" and must be refinanced periodically. A profitable apartment complex financed at 8 percent can become unprofitable at 17 percent. This in part explains the wave of condominium conversions. Almost half of the existing condominiums in the region, or 4,500, are converted rental units.

ACCESSORY APARTMENTS

Accessory, or in-house, apartments represent a low-cost solution to the rental housing crisis. An accessory apartment is a subordinate use of a single-family house. Usually it is regulated in size; e.g., 600 square feet. No exterior changes are allowed in most ordinances.

Changing needs require a change in attitudes about what constitutes acceptable zoning practice. The current critical demand for housing units is such a need. Furthermore, many homeowners are discouraged from selling houses which are too large for their needs. Finding a buyer in today's market is uncertain at best, and financing a smaller house would be too expensive, due to present high interest rates.

However, rising property taxes and heating costs make underutilized housing units a luxury which those with a modest or fixed income may not be able to afford indefinitely.

Costs of conversion

Westport has estimated the average conversion costs at approximately $20 per square foot, or roughly $12,000 a unit, where both a bathroom and kitchen have been added. In a recently proposed elderly housing project, new units ran approximately $38,000, or $50 per square foot.

Advantages

(1) Accessory apartments provide additional income which may allow elderly persons on a fixed income to remain in their home.

(2) The preservation of housing stock is another byproduct. Someone just making ends meet finds it difficult or impossible to invest in costly maintenance, but accessory apartments can provide the funds to make improvements.

(3) There is security in knowing that someone is nearby to call in cases of emergency, both large and small.

(4) Energy conservation in common wall construction reduces operating costs and preserves scarce resources.

ARGUMENTS AGAINST ACCESSORY APARTMENTS

(1) The negation of zoning. In effect, one-family zones become two-family zones, and the single-family character of the area is lost.

(2) Erosion of property value.

(3) Burden on public facilities.

(4) Additions to the school population.

Rebuttals

(1) *Negation of zoning.*—There is an important distinction between accessory apartments and traditional two-family zone housing. The latter permits two principal dwelling units in the same structure. Unlike a two-family house in which the units may be of comparable size, an accessory apartment is subordinate to the principal single-family dwelling in terms of size and appearance. The conversion of existing floor space within the single-family structure is usually limited in size, with restrictions on exterior alterations, and is often impossible to recognize. The single-family character of the house is preserved. Second, most municipalities allow a professional office or home occupation in their single-family residential zones as an accessory or subordinate use. This has not made single-family zones into commercial zones.

(2) *Erosion of property value.*—Empirically, towns with a long history of legal in-house apartments have not suffered the loss of property value. Real estate brokers often advertise a rentable apartment as an asset. An argument can be made that an accessory apartment actually increases a housing unit's market value, given the attractiveness of rental income to potential buyers.

(3) *Burden on public facilities.*—Only an underutilized house will be converted. The residents of the accessory apartment, in addition to the residents of the principal structure, will probably not create a greater burden than one large family for which the house was designed. No more parking may be required than would be necessary for a family with three or four drivers.

(4) *Additions to school population.*—Small units of 600 or 700 square feet are not really suitable for children. The large undivided housing units may well attract more schoolchildren than a house divided into one principal unit and one accessory unit.

SWRPA ROLE IN PROMOTING ACCESSORY APARTMENTS

The agency role has primarily been one of technical assistance and public education. It has cosponsored several forums which have been widely reported in the press.

Local initiative is imperative. Greenwich attributes its success in passing a zoning ordinance to the fact that accessory apartments were first proposed in a comprehensive study on elderly needs. The report was reviewed and supported by many local agencies. Housing was one of several issues addressed.

Recommendations were widely reviewed. Meetings to create an accessory apartment ordinance were announced well in advance, and the public was urged to come and participate. Finally, special attention was given to gaining the support of the local board of realtors. The public hearings on the final ordinance were an anticlimax. Interested parties had been involved from the beginning, and community support was strong. Public education and involvement are essential.

ACCESSORY APARTMENTS STATUS

Four of the eight towns in the region allow accessory apartments: Weston—"by-right" adopted 15 years ago; Wilton—owner or renter must be elderly; Westport—owner or renter must be elderly; Greenwich—owner or renter must be elderly; Darien—has a proposed ordinance; and Norwalk—is scheduled to study the subject.

FUNDS FOR CONVERSION

Although rental income from accessory apartments will, in time, return conversion costs, capital funds are required initially. This can discourage homeowners from making a conversion, particularly in times of high interest rates. A nonprofit church-sponsored group in Greenwich is solving the problem by creating a revolving conversion fund. $45,000 in community development funds will be used in addition to other funds solicited by the group. The loan fund will operate only in Greenwich.

Mrs. Hutchinson, first selectman of Weston, has proposed a regional fund to be operated under the auspices of the South Western Regional Planning Agency, but organized and funded cooperatively by the public and private sectors. This proposal could be rapidly advanced by seed money from a HUD demonstration project. I hope the Senate Special Committee on Aging will give serious consideration to this proposal, which is a low-cost solution for senior citizens who wish to continue living in their homes, but cannot afford to pay rapidly escalating tax, repair, and maintenance bills, and for those who wish to sell their homes but cannot presently find a small unit which they can afford.

Thank you for giving me the opportunity to testify on the vitally important issue of elderly housing.

SOUTHWESTERN REGION—1980 CENSUS ANALYSIS: AGED 65 AND OLDER

[Figures in percent]

Town	Total of population	Total of household	Older households who rent	Older household who live alone	Older population who live alone
Darien	10.8	18.9	10.3	30.7	17.5
Greenwich	14.0	23.7	27.7	38.0	23.2
New Canaan	10.5	18.8	19.8	37.2	22.7
Norwalk	10.8	18.1	31.5	41.2	25.1
Stamford	12.0	19.5	42.1	43.3	26.4
Weston	6.7	11.9	7.5	33.3	19.4
Westport	9.6	16.2	12.8	32.1	18.7
Wilton	7.3	12.0	15.9	36.3	18.6

COMPARATIVE AGE STATISTICS—1980

[Percent of population by age cohort]

Town	Southwestern region	Connecticut	United States
0 to 4	5.0	6.0	7.2
5 to 14	14.5	14.9	15.4
15 to 24	15.9	18.0	18.8
25 to 34	14.2	15.8	16.4
35 to 64	39.0	33.6	30.9
65 and over	11.4	11.7	11.3
Total	100.0	100.0	100.0

MEDIAN AGE

Town	1980	1970
Darien	36.9	33.1
Greenwich	38.7	35.8
New Canaan	38.4	34.3
Norwalk	32.5	29.8
Stamford	34.2	31.1
Weston	36.3	28.9
Westport	37.4	32.2
Wilton	35.5	30.4
Connecticut	32.0	29.0
United States	30.0	28.0

RENTAL UNITS

Town	Rental units	Percent total units	Mean contract rent	Vacant units	Mean rent asked
Darien	736	11.6	$393	19	$451
Greenwich	6,314	28.4	350	191	387
New Canaan	1,170	18.4	405	94	325
Norwalk	10,669	36.3	272	369	281
Stamford	17,158	42.9	296	824	335
Weston	242	8.7	421	9	448
Westport	1,485	16.4	406	59	407
Wilton	561	11.0	369	34	353

VACANCY RATES

Town	Total year-round housing units	Total units available for sale	Total units available for rent	Vacancy rate for sale units	Vacancy rate for rental units
Darien	6,329	53	19	0.8	0.3
Greenwich	22,253	200	193	.9	.9
New Canaan	6,347	83	95	1.3	1.5
Norwalk	29,401	272	371	.9	1.3
Stamford	40,014	396	824	1.0	2.1
Weston	2,793	32	9	1.1	.3
Westport	9,039	108	59	1.2	.7
Wilton	5,081	83	37	1.6	.7
Southwestern region	121,257	1,227	1,607	1.0	1.3

TAX ASSISTANCE PROGRAMS

Town	Households assisted	Income ceiling (including social security)	Type of program	Year
Darien	317	Under $15,000	State and local	1980–81
Greenwich	1,000	[3] $11,000	State	1981–82
		[4] $14,000		
New Canaan	267	$17,500	Local	1981–82
	117	[3] $11,000	State	1981–82
		[4] $14,000		
Norwalk	[1] 567	[3] $10,000	State	1980–81
	21,675	[4] $12,000		
Stamford	[1] 1,139	[3] $10,000	State	1980–81
	[2] 1,589	[4] $12,000		
Weston	92	Under $15,000	State and local	1980–81
Westport	[1] 30	[3] $10,000	State	1980–81
	[2] 285	[4] $12,000	do	
	256		Local	
Wilton	140	Under $20,000	do	1980–81
	98	[3] $10,000	State	
		[4] $12,000		

[1] Renters. [2] Owners. [3] One person. [4] Couples.

1981 CONDOMINIUM INVENTORY

Town	Conversions	Total condo units	Planned
Darien	8	31	
Greenwich	311	1,245	7+
New Canaan	269	675	?+
Norwalk	762	2,891	308
Stamford	3,110	5,301	110+
Weston			
Westport	4	86	20+
Wilton		202	113
Southwestern Regional Planning Agency	4,464	10,431	558+

Senator DODD. Mr. Paparazzo, I don't know if you have a prepared statement or not but we would appreciate your comments.

STATEMENT OF OTTO PAPARAZZO, PRESIDENT, OTTO PAPARAZZO ASSOCIATES, INC., WOODBURY, CONN.

Mr. PAPARAZZO. Thank you, Senator, commissioners, and ladies and gentlemen. One of the things that I was impressed with today with all the speakers, all the programs are obviously excellent, I think. They are very complicated, and as a builder and a person that is out in the field basically trying to implement housing of different varieties and different natures, I was impressed with Dr. Jaeger's statement that we need a broad brush stroke to do something about it.

I am disagreeing a little bit with Commissioner Canale that one of the difficulties, I think, that almost every one of these programs have, and that I as a builder have, is that we do have problems with our zoning regulations, and local zoning regulations and restrictions.

I think the State has an obligation to do this. I think the State legislature has an obligation to try to correct this. I think they have done this somewhat in some of their other programs for the handicapped where they allow five members to live in a single-family neighborhood and bypasses all local governmental agencies and restrictions. And I think that is exactly what we need.

I think the fact that our elderly today have built our communities, and we have an obligation that they have a right to live in their communities. They have a right to go beyond what the local restrictions and zoning enforcements that make it virtually impossible for them to stay in their communities, let alone what happens to the whole housing industry.

The National Home Builders did a study about 2 years ago where the price of housing has gone up 25 to 30 percent basically because of restrictions. We are strangled in bureaucracy. We are strangled. As an example, the town I lived in, Woodbury, which is a commu-

nity that I think I am fairly respected, the last project that I have gone through was 38 public meetings at 2½ years.

I am working on a project in Farmington now that includes 100 units of congregate housing, and it is a town that really wants to do this. So far, we are 2½ years in this process. It is virtually impossible for anyone to purchase a piece of land and hope that he is going to get something zoned or passed. It is a crap game at best, and I think it is wrong.

We could provide housing if we could get the assistance of the State legislature to go in and make this broad brush stroke and go past—I think the elderly have the right to go past—the zoning regulations in the community. I think there should be certainly restrictions. It should be compatible with the community. It should have architectural and planning criteria. But I think they have a right to do it, and I think we are obliged to help them to do that.

We also need the assistance and the help of our institutions, our large banks and insurance companies in Connecticut. We need the assistance of the local communities that give projects like the elderly projects and congregate projects. They need to give them some tax benefits, and the possibility of giving them some benefits of the utilities and services, and I think you can start right in our own hometowns and start right in our backyards, and we could do this.

I go along with the accessory apartments. I think another innovative idea that we talked about with Marin Shealy's commission was the possibility of the "granny house." The "granny house" was a house that was used in Australia for many, many years where the grandmother or grandfather—and I think we can expand on that—they would bring in a prefabricated house and put it adjacent to the big house or the larger home.

I am not saying that we bring in a prefabricated house. I am saying that if a son or daughter wants to bring their mother, their father, their uncle, their aunt, and build a little cottage, a little garden cottage in the rear of their house, or adjacent to their house, or utilize an existing outbuilding that could be very much in character with the existing architectural standards of the neighborhood, and the house could enhance the building itself, and I think they should have a right to do that. I think that would help reinforce the family structure so the family could maybe bring their parents, or an adult, or an elderly person back into the closeness of the family and yet have privacy. It does not have to be in the house. It could be preferably a short distance from the house so they can have their privacy, their own integrity, their own music, they have a beautiful little cottage that is in the backyard that doesn't have to be anymore than 400 square feet. It would have some charm and romance with plenty of sunshine, and I think they could make a contribution to the family in both directions, make a contribution to the local community, and alleviate some of the problems that you are having at the State and Federal agencies to provide housing.

They could open up. That would be one little step forward. I would love to see it.

Thank you, sir.

Senator DODD. Thank you very much.

And our last participant, Patrick Hare.

STATEMENT OF PATRICK H. HARE, PLANNING CONSULTANT, WASHINGTON, D.C.

Mr. HARE. Thank you for the chance to be here.

I want to begin by defining the collective term "second units." It covers both "granny flats" and accessory apartments. They are not unrelated concepts. Accessory apartments are installed inside single-family homes and granny flats are added outside as separate small units on the same lot. In Marin County in California, where there are ordinances that permit both accessory apartments and "granny flats," they are collectively called "second units" and I suspect that gradually that term will become more widespread. In addition, many people may want to adopt the term "echo housing" for "granny flats." Older men often find the idea of living in a "granny flat" offensive.

Senator DODD. Henceforth, strike all references to "grannies." What did you call them?

Mr. HARE. "Echo homes." Echo is an acronym for elder cottage housing opportunities. The acronym is designed to save many hours——

Senator DODD. I don't want to know the acronym. I like the name echo.

Mr. HARE. Both types of second units may be more widespread than most of us realize.

Southwestern Connecticut is a center for the development of accessory apartments. They are legal in four communities, and under consideration in others.

Long Island has over 15,000 illegal accessory apartments. It also has at least two communities where they are legal. Marin County in California has several communities that have had legal accessory apartment ordinances for quite a while. There are also areas in Washington and Oregon where ordinances are being developed or have already been developed.

Also in the area of Lancaster County, Pa., the home of a manufacturer of echo housing, there are a growing number of communities that permit echo housing in their zoning ordinances. Frederick County, Md., also permits them.

In addition, we have two estimates of the numbers of accessory apartments nationwide. They are staggering. The Bureau of the Census estimates there may be as many as 2.5 million nationwide. The Urban Institute has made an estimate of 3 million.

If those figures are accurate, accessory apartments don't run down neighborhoods or we would have heard more about them by now. That is the main point I want to speak to. The critical problem in the development of both types of second units will be to convince neighborhood residents, that accessory apartments and echo homes don't run down neighborhoods but, in fact, make them better places to live. And I don't think that is a hard argument to make.

In many regions, towns in the exurbs are having to build schools as rapidly as towns in the suburbs are closing them down. We have developed neighborhoods, that, because they are one-generational

have terrific fluctuations in demands for services. Second units, by introducing families at a variety of stages of the lifecycle into suburban neighborhoods, can dampen some of those oscillations.

Accessory apartments can also provide homeowners with a source of services. A homeowner with a tenant in the house has a built-in service provider with whom they can bargain for services in return for rent reductions.

What that means is trips to the grocery store and getting the gutters cleaned. It means all the things that can be a burden as a person gets older, particularly in neighborhoods which were developed on the assumption that all residents would have automobiles available to them and would be able to drive.

Building in service providers through second units is very important. It can help older people stay in homes they would otherwise have to leave. Second units also have implications for long-term care. I say this without expertise in the area, but it seems some types of long-term care could be provided by either tenants or adult children with special training. The cost implications are significant. It costs around $1,800 to $2,000 a month to keep someone in a nursing home or health care facility. In contrast, the cost for an echo house is around $300 a month. Also services provided by the family are likely to be more supportive and enjoyable than those in a nursing home. According to a recent public television program on long-term care, the turnover rate of staff in nursing homes is around 75 percent a year, and 90 percent of the health care provided is provided by untrained people.

Providing long-term care within the home to the extent possible would be of great benefit both emotionally and financially.

We do not, in fact, need demonstration projects for many of these benefits of second units. We have them. Southwestern Connecticut is a demonstration project. What we need is for more people to know more about what is already happening. We need to make people aware of the benefits that are already being derived from second units by many homeowners and tenants.

That is not something that costs much money. Workshops can be held at which tenants and homeowners describe their own experiences. I have submitted for the record a New York Times article which describes two of those workshops which my firm carried out for the American Association of Retired Persons.[1]

The statements that people made at the workshops were impressive testimony to the benefits of second units. The publicity from such workshops will develop advocacy groups among the elderly. They will come to public forums and say, "I have lived in this neighborhood for 20 years and if you are not going to permit accessory apartments you are going to force me out of my own neighborhood. What is existing zoning protecting if it is forcing long-term residents out of their homes?"

Evidence of the benefits of second units is already available. I believe the most critical role to be played in setting national housing policy is drawing attention to that evidence.

Thank you.

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[1]This document, along with other material submitted by Mr. Hare, is retained in committee files.

Senator DODD. Thank you very much.

[The prepared statement of Mr. Hare follows:]

PREPARED STATEMENT OF PATRICK H. HARE

(1) Accessory apartments and echo housing, collectively known as second units, are today's version of extended family living, an overlooked part of both rural and urban American experience.

(2) Local communities in Connecticut, such as Weston and Westport, are leaders in the development of second units nationally, and have developed experience from which the country as a whole can benefit.

(3) The best Federal stimulus to the development of second units may be to make rental income from them tax exempt for people 55 and older.

(3.1) This exemption will encourage people to install second units before retirement, when they have the resources to do so easily.

(3.2) The exemption will cost the Federal Government little in revenues since the IRS currently has no way of insuring such income is reported, and since once people do retire, their incomes drop enough so that tax revenues from the rental income would be insignificant.

(4) The main barrier to the widespread use of second units is single-family zoning for existing large homes, which may be an anachronism at a time when the baby boom has left home, new families are small, and "empty nesters" face rising costs for heat, taxes, and maintenance on space they rarely use.

(5) The best advocates of changing zoning to permit second units will be older neighborhood residents and their adult children.

(5.1) Older homeowners can argue that existing zoning nominally protects the neighborhood at the expense of its long-term residents, many of whom may be forced out of it by the expense and insecurity of living alone in large suburban houses.

(5.2) Adult children can argue that second units, which allow the frail elderly to receive support from either their children or their tenants while still maintaining separate households, are usually a better solution than nursing homes.

(6) The most effective advocacy for zoning changes will be that second units make single-family neighborhoods better places to live.

(6.1) Anecdotes from neighborhoods known to have large numbers of second units indicate that they do not run down the neighborhood, and that they do introduce households at a variety of stages in the lifecycle, thereby reducing fluctuation in demand for schools and other facilities.

(6.2) An increasing number of professional articles argue that intergenerational living can improve the quality of life for many people.

(7) Well publicized local hearings on the benefits to the elderly in communities with significant numbers of second units will spread both awareness of their benefits and recognition that they improve neighborhood quality.

Senator DODD. I thank all of the panel for their testimony and comments. I just have a few points to make.

Mr. Frankel, you talked about a continuing Federal commitment and financial role in the congregate housing area. Without it, the likelihood that that program will succeed or continue in the years ahead is diminished. I should inform you that in fiscal year 1981, there were no new funds appropriated for congregate housing. What was used was existing, that is, already appropriated funds. In fiscal year 1982, the authorization runs out and no new funds are proposed. HUD doesn't want any new funds for congregate projects. HUD has argued that congregate projects were merely demonstration projects, excluding the possibility at any future funding for them.

In light of Mr. Hare's last comments about the fact that there really isn't a need for any more demonstration—in fact, it was demonstrated effectively that the congregate housing works, providing us with decent housing at a relatively low cost. Is it your conclusion that without any further Federal commitment for con-

gregate housing that it is dead? You may answer in terms of the Hartford area, since that is your experience.

Mr. FRANKEL. I would say, no, it is not dead. What we have tried to do is target our population to low-income elderly that resided in the city of Hartford. In our point of view, the only way to serve low-income people is through a Federal subsidy plus additional private subsidies. In our particular case we are still getting a below-interest loan from a private lender, 11 percent. Everything else is 15 or 16 percent.

If that Federal commitment in terms of subsidy to a rent is gone, then I think it is going to be very difficult to be able to satisfy a low-income person who is presently not being served in congregate projects in the State now. It is mainly a middle to upper income, and I would say upper income older person that is now being served.

The only way out of that is to say—where I think accessory apartments is really important is that it is a way of not using tremendous capital to finance alternative living styles. And that is where the hope is, I think, because as I was saying earlier, the particular project I am on, if I could have done it again, I don't know if I would have gone so big. It doesn't seem large, but when you look at all the dollars we have in it, my time, and the subsidies involved, it is a huge amount of dollars, and it is a huge amount of time.

I, for one, would be looking down the road at projects that are a lot simpler to do, a lot less costly and innovative ways to do them. If you want to do something big, though, you have got to have the subsidy to make it happen for a low-income person.

Ms. CHAPIN. I just want to state that there is a tremendous need for congregate housing in the southwestern region which is eight municipalities with two cities. We have a total of less than 600 congregate housing units. The vast majority of units, almost 500, are private and the cost can be as high as $700 a month.

So, then you have 108 units of public congregate housing for the southwestern region and I think it is shocking.

Senator DODD. And at that you are talking about people mainly from upper income brackets moving in.

Ms. CHAPIN. No, I am saying 108 publicly assisted out of the entire eight towns. It is shocking.

Mr. HARE. A pretty major distinction exists between congregate housing and accessory apartments or second units, particularly in terms of the amount of support that is generally provided to the residents in that housing.

As we get more into this area there is going to be a whole lot of confusing terminology generally. Even people who are as immersed in it as I am find that we are talking different languages. Shared housing generally refers to sharing the kitchen facility, which seems to be the accepted critical issue.

An accessory apartment or echo house does not share a kitchen facility. Congregate living, as I understand it, you may be sharing some facilities. Other support by some outside service is being provided. We are developing, in effect, a continuum of possibilities.

Senator DODD. Here is one point that I want to speak to. When you talk about accessory units, I would presume that there are vast

differences among accessory apartments and shared living arrangements in rural, suburban, and urban areas. If you have 1- or 2-acre zoning, then putting a cottage in the backyard to accommodate a relative or some older person is a relatively simple thing to do.

When you start talking about building lots in cities or towns where things are congested, it is another matter indeed. Perhaps I can ask Mr. Paparazzo some of these questions. The codes for building something at ground level, I presume, are substantially different than those for adding something on top of a house in terms of materials that have to be used, and so forth. I am just wondering whether all four of you could quickly distinguish for me the advantages and disadvantages of accessory apartments or echo's in urban areas as compared with suburban and rural areas.

Mr. PAPARAZZO. I think each one has its own particular problems but each one is certainly easily solved. Accessory apartments, I don't think you would go to build up. An accessory apartment could be done in the existing structure, or could be done in an adjacent garage, or carriage house. If it was in the city it would obviously be in the existing structure where there is no room to expand.

If it is in the suburban area with small building lots, I wouldn't find any problem in tucking in a little 400-square-foot, no more than a garage, to the rear of the house in a very tiny lot. It could be very handsome. Obviously, if it is in a more rural area it would be simpler and easier and probably would go into one of the outbuildings, or sheds, of something of that nature.

So I think each one of those, from a practical viewpoint, could be met in each situation without too much of a problem. I think our problem again would be the zoning regulations, the building regulations, and all this business I think would be our problem.

Mr. HARE. Accessory apartments are relevant to the urban housing market. They can draw off people needing housing who often grew up in the suburbs and who at this point are competing effectively with existing city residents for the homes those city residents now occupy. To the extent that we can develop accessory apartments in the suburbs, we are providing another outlet for those people and reducing the competition and pressure on inner-city housing markets.

Also, the Australian experience with granny flats or echo housing is that the echo houses released family homes for young families.

Both types of second units have impacts throughout the market.

Senator DODD. I would like to believe that your last point is realistic but, frankly, we have a very difficult problem here. Comparing the various regions of the country, the western region has a shorter history in terms of land use than we do on the eastern seaboard.

Some western communities just recently have adopted zoning, because they previously thought you should be able to do whatever you wanted. The notion of private property in the West is so sacrosanct that there is only a hair's difference between no zoning and 3-acre zoning and the people who support both. So we have regional differences in zoning.

In some parts of Connecticut, we have already had to grapple with the issue of housing in suburban communities as an escape valve for crowded and deteriorating housing conditions in our urban areas. The housing pressures that build within urban areas and immediately surrounding suburban communities create serious problems.

I think that you, Mr. Paparazzo, alluded to these problems while discussing land use and zoning in Connecticut.

What people do now is they just cheat. They put something up for their grandparents and don't say anything about it. Now, some are expressing concern because the percentage of our population that falls into the category of older Americans is increasing. Also, the political clout of older Americans is mounting. As such, they are able to bring more leverage to bear on local communities on the issues of providing accessory housing and other shared living arrangements.

Mr. HARE. I think that was just my point. That is what will enable us to change the zoning very rapidly.

Senator DODD. Good luck. [Laughter.]

Commissioner CANALE. May I just say to Mr. Paparazzo that, as I said before, we were very fortunate to have a State legislature and an administration who were housing oriented to such an extent that they have passed laws last year or the last regular session in July, that mandates my department to have ready for them at their next regular session a model one-stop ordinance for people like yourself to go into a community.

What I am saying is that we will have—it is 95 percent complete. We are at the point now where the commissioner's office is the devil's advocate to go through the department that put them together. I would like to say that we will have it ready, but we can't guarantee that every community will adopt it. That is our only problem. But we will have it ready for the State legislature.

In regards to our own bureaucracy, there are things that have been built up over the years, a lot of it I hope we have eliminated. We have cut the timing down for processing, and I will say that for our department, almost in half, since it became a separate department, so we hope that maybe we can help people like yourself to develop more and more units around the State.

Senator DODD. Commissioner Shealy.

Commissioner SHEALY. I think I am probably directing this at all of you, but particularly Mr. Frankel and Mr. Paparazzo. One of the things that we have not talked about too much all morning long, and it is the afternoon, is the particular needs in the cities, and the particular needs of the desperately poor, which often translates into minorities, and I am not trying to put anybody on the spot.

But when we talk about exclusionary zoning in each town, and the 2½ or 3 years, Mr. Paparazzo, that you have to put up with in a Weston, or a Woodbury, or a Farmington, what are we talking about in a city such as Hartford? I have lived in Woodbury. Now I am a resident of Hartford, and we are not even addressing the incredible need that is here amongst the very poor.

Mr. Frankel has been at this for how long now?

Mr. FRANKEL. Three years.

Commissioner SHEALY. Three years, and you are talking how many units.

Mr. FRANKEL. Thirty-two units.

Commissioner SHEALY. So what do we see as addressing, or does anybody see anything addressing the needs of the desperately poor renters, who often in the cities are minorities, or do you have anything innovative, Mr. Paparazzo—I am sort of putting you on the spot—because I don't know the answer?

Mr. PAPARAZZO. I think, first of all, land values have gone from, say, 20 years ago $700 or $800 a unit for multifamily housing. Today you go down to southern Connecticut you can pay $40,000 a unit for raw land at seven or eight units per acre.

Today, in the Farmington-Woodbury area, in most communities, if you have a land that is zoned for multifamily it would be $10,000, $15,000, or $20,000 a unit. That is 15, 20 times what it used to be. So if the pressure is off—if some of the pressure is off then we could get land zoned. There is plenty of land, in a sense, but the question is where can you get it zoned?

Most towns today in Connecticut have excluded multifamily really, have made it so difficult and so costly a process. This gentleman worked 3 years getting 30 units. I can't do that, and no businessman can spend 3 years getting approvals and setting up financing for 30 units. The cost of doing that is just outrageous. Our problem is zoning, and getting it zoned.

Right now, it is 2, 3, 4, 5 years, if you can get it. I mean, you can blow your brains out, and you may not even get the approval after spending hundreds of thousands of dollars.

Commissioner SHEALY. And there is, I assume, no money available for working in inner cities, and even just renovating what is there.

Mr. PAPARAZZO. I think the inner cities probably have the potential. I have started land leasing, and have done it at a project in Avon, and have built houses at $35,000 that are selling in the $80,000's now. And I think the possibility that communities themselves could look at leasing the land. They could look at leasing the land and basically turn the land over to a homebuilder, or buyer, or someone that wants to redo the building, or something. That is a possibility.

Right now, for me it is too expensive to go get zoning and just sell in because I can't get enough money out of it to do it, so I'd lease the land to try to make it a little easier to sell a house, which I can't do today anyway because of interest rates.

Mr. FRANKEL. I would just like to add one thing. If we are talking about poor minority elderly, there is no way that they can be housed without a subsidy of some sort. One of the things that has been difficult for me to accept is the fact that we started this particular project with a certain construction cost figure in mind. Well, that figure is 25, 30, 35 percent higher than it was 1 or 2 years ago.

Either something is going to happen on the construction side to bring costs down, which I don't see how, and the only other way for someone who is making $300 a month or $350 to afford a $400 or $500 rehab house is to have it subsidized. I think poor folks are in

a real impossible situation when the crunch is here and it is going to get worse.

I think that is the situation we are in. Unfortunately, I don't have an answer to this situation.

Senator DODD. We do. There is an answer and the answer is to recognize that vouchers alone may address the affordability problem for some people but will not produce one unit of housing, whether it is accessory apartments, shared living, or anything else. We have to have a production program in this country.

Section 8 is too excessive in cost, given the $180,000 per unit cost over the life of a unit. We can design programs that are less expensive which would encourage the private sector to get in construction.

We have a demonstration we have been trying to get off the ground with second mortgage financing of up to $25,000 a unit. This is not a new idea, but it would cut down the life of a unit cost to around $40,000, $50,000, or $60,000 a unit. Upon resale or disposition of the property then the landlord, in effect, would have to pay back. There is a payback provision, so in effect you could actually be capturing the original cost if you had condominium conversion or something else occurring. But we have got to have some sort of production program.

And to construct only 10,000 units—which is what we are limited to under the present budget for elderly housing nationwide—and zero section 8 units for moderate- and low-income families, and to greatly reduce the Farmers Home program, is just insane. When it comes to meeting a basic necessity in this country, zeroing out production programs is absolutely insanity.

I didn't mean to do so much talking. I came to listen today. You just hit a responsive chord.

We really appreciate your being here. This is not the end of our discussion. We are looking for any creative ideas and thoughts you have on these matters. I am proposing a demonstration bill, which will include a whole host of alternatives we might try. Every one of these alternatives has some problems. But any additional ideas you have, and this goes for anybody who is here today, we clearly want to hear them.

These hearings are never as inclusive as you would like them to be. You never have as many people participating as you would like to have, and so forth. But we really do appreciate your thoughtfulness and your ideas. Please stay in touch with us.

We thank you.

The last panel we have is the practical applications panel. It includes four witnesses: Dwight Merriam, a lawyer and land use planner and member of Commissioner Shealy's task force on housing. Mildred Richards, the former president of the Connecticut Association of Realtors. She was realtor of the year in 1973 and 1976, and director of the National Association of Realtors, and vice chairperson of the Realtors Foundation. She is, as well, a member of the task force. Robert Nocera is a member of Commissioner Shealy's task force—who wasn't a member of your task force?

Commissioner SHEALY. You.

Senator DODD. Mr. Nocera is vice president of the Banking Center in Waterbury. Last, we have Harold Heintz, a manager of

planning and program analysis at the Connecticut Housing Finance Authority.

Mr. Merriam will be talking about zoning and land use restrictions which prohibit use of echo flats, accessory apartments, and so forth. He will also mention ways to encourage communities to abolish such restrictions.

Ms. Richards will describe the market for older owners who wish to sell larger homes and buy or rent smaller units.

Mr. Nocera is going to be describing home equity and fancy mortgage arrangements for older Americans—fancy mortgage arrangements. I want to hear about the fancy mortgage arrangements—and the role the Federal Government could play in financing such financing mechanisms.

And Mr. Heintz will be giving us a description of financing programs which assist the elderly and the future capacity of CHFA to provide financing for housing to meet a variety of elderly needs.

We will begin with Dwight Merriam. And again, I thank all of you for being here today and for your patience too. We are already well over the time that I had allocated for the hearing, so my apologies if you are missing lunch.

STATEMENT OF DWIGHT H. MERRIAM, ESQ., LAND USE PLANNER, HARTFORD, CONN.

Mr. MERRIAM. Senator Dodd, Commissioners Shealy and Canale, members of the General Assembly, ladies and gentlemen, I appreciate the opportunity to testify this afternoon. I have previously submitted written testimony, additional copies of which are available.

Senator DODD. And that will be included in the record in its entirety.[1] If you would care to paraphrase it, feel free to do so.

Mr. MERRIAM. It has been suggested that I limit my comments to the question of what impediments there are in local regulations to the production of accessory apartments and second units.

Now, what are the local impediments? First of all, it is clear from the other witnesses today, that zoning regulations in most communities in Connecticut, and other States, prohibit the creation of accessory apartments or additional units.

Second, our State building code, the BOCA Code, prohibits economic conversion of existing dwellings and that code is used in many other States, and additional States use other model codes, so it is a common problem.

The third and fourth points involve related economic issues. There are substantial costs related to the conversion of existing homes into additional units. You have heard the figure $12,000. It is certainly $10,000 to $14,000 per dwelling unit, though it is substantially less expensive than the production of new units.

Fourth, there are design problems related to conversion, design problems both with the structure itself and with the site on which the structure is located.

And finally, and perhaps mostly lawyers would love this problem, is that we can bring legal actions in State courts to go after

[1] See next page.

those few communities that hold out, that fail to carry out their moral responsibility to provide a full range of housing.

But if we go into Federal court, which is often a better forum, we face two substantial impediments, and those are the *Arlington Heights* decision and the *Belle Terre* decision, which make it very difficult in the Federal court to force a locality to do its legal and moral duty.

Although State and local governments can and are looking toward solving some of these problems, I do see a need for assistance by the Federal Government to stimulate production because the Federal Government is the appropriate level or has sole jurisdiction of particular remedies.

The Federal Government is the appropriate level for, among other things: One, providing a clearinghouse of information; two, developing educational materials; three, studying the national experience as to conversions; and four, creating model regulations and codes, such as correcting our BOCA Code to tell us how to provide for economic conversions.

Accessory apartments are clearly a volatile land use issue and there is much innovative work going on locally. We need some mechanism to share this local innovative work. We need to be able to collect, to critique, and then to communicate that grassroots effort, and we are not doing that very well right now. In fact, we are not doing it at all.

And second, the Federal Government has a role in providing remedies to the problems of the type I suggested because it is the sole jurisdiction for some activities. For example, to stimulate production you could create Federal income tax incentives, an investment tax credit, or shared equity program.

And the second and final area in which I think the Federal Government has sole jurisdiction is in legislating Federal judicial standards of proof in overcoming the *Arlington Heights* and *Belle Terre* decisions to open up the Federal judicial forum for challenges of exclusionary communities.

The demand for accessory apartments is high. They provide inexpensive housing, they increase the utilization of existing residential space, they decrease unit energy costs, they capitalize on prior investment, they conserve valuable natural resources, and they have the power to preserve the appearance of neighborhoods.

I urge that the Senate recognize that Federal action can help in making this housing available to those individuals and families who so desperately need a reasonably priced, safe, clean, warm place to live.

Thank you, Senator.

Senator DODD. Thank you very much.

[The prepared statement of Mr. Merriam follows:]

PREPARED STATEMENT OF DWIGHT H. MERRIAM

Good afternoon, Senator Dodd. My name is Dwight Merriam, I am a lawyer with the firm of Robinson, Robinson & Cole in Hartford and Stamford. I also am a land use planner with a graduate degree in regional land use planning. I am a member of the American Institute of Certified Planners of the American Planning Association. I have served on the Governor's Task Force on the Three-Year Housing Plan and am a member of the Department on Aging's Task Force on Housing Alternatives for the Elderly. I thank you for the invitation to testify before the U.S. Senate

Special Committee on Aging and hope that my experience and perspective as a lawyer-planner will be helpful to you.

RECENT DEMOGRAPHIC CHANGES

Make no mistake about it—the American family has changed. The traditional household of a mother, father, and two or more children is now in the statistical minority. In the last decade the number of people living in households increased by 12 percent, but the number of households increased by 27 percent. The average number of people per household decreased from 3.11 to 2.75. Average household size in Connecticut is now 2.76, almost exactly the same as the national average. Seventeen million new households were formed between 1970 and 1980.

During the 1970's, the population of Connecticut increased by a scant 2.1 percent, compared, for example, with the county of Hawaii which increased by 120 percent during the decade. The number of housing units in Connecticut increased during the last decade by 18 percent—almost nine times greater than the number of people.

How do we explain this dramatic decrease in family size and equally surprising increase in the number of households? Part of it is due to the increased divorce rate. During the 1970's the number of one-parent families increased by 79 percent. One of every five families with children is now maintained by one parent.

Part of the increase in household formation results from the World War II "baby boom," members of which have reached the age when they are forming their own households. Part of the decrease in household size is due to the decrease in the average number of children per family.

But one of the most important causes of this decrease in number of households is our aging population. In the 1970's, there was an increase of 6.4 million in the number of one-person households. Of the one-person households, 83 percent are women, and half of these are widowed.

Nationally, more than 40 percent of all owner-occupied households are of people aged 55 or over. There are 7.3 million one- or two-person owner-occupied households in residences of five rooms or more.

The elderly, those over 65, now number 24 million. This age group is growing twice as fast as the rest of the population. The facts are clear. We have an aging population, more one- and two-person households and a marked underutilization of available space.

ZONING AND LAND USE RESTRICTIONS IN CONNECTICUT PROHIBITING EFFICIENT USE OF AVAILABLE RESIDENTIAL SPACE AND SUGGESTED REMEDIES

The zoning and land use restrictions which inhibit or prevent effective use of available space are mostly local and not always amenable to effective State or Federal intervention. Nevertheless, this problem transcends municipal boundaries and ought to be the concern of both the State and Federal Governments. Here, I list for you what I think are the principal issues, some of which are discussed in the attached materials previously prepared for the American Law Institute and American Bar Association. Following each problem, I suggest some remedies.

A. Problem. Local zoning regulations do not allow the conversion of larger, older homes to create accessory apartments within the homes.

Remedy. Local governments can enact regulations such as those I drafted for the town of Roxbury. A copy is attached. Pat Hare, who has already testified, and I, have written a planning advisory service (PAS) report for the American Planning Association (APA) on how to overcome local regulatory impediments to the creation of accessory apartments. You will receive a copy of the report. The Federal Government could encourage orderly amendment of local zoning regulations by expanding on our study and developing model regulations, something which is lacking in our PAS report.

Also, there is need for a clearinghouse function at the national level by the Government directly or through a nonprofit entity such as APA. This area of regulation is so volatile and so much innovative work is under way at the local level that we need some mechanism for the rapid exchange of information.

B. Problem. The State building code makes some rehabilitation and conversion work difficult or impossible.

Remedy. Connecticut uses the BOCA Code, as do many other States. At least one State, Massachusetts, has adopted a new chapter specifically to enable economically and physically efficient rehabilitation and conversion of older structures. A study of the experience in other States and recommendations for amendment of the several model building codes in use across the country would be most helpful.

C. Problem. While not directly a zoning or land use regulation problem, the high initial cost of conversion often inhibits the creation of an accessory apartment.

Remedy. We can assume that the need and decision to create an accessory apartment occurs at or about the time a person retires. Just prior to retirement incomes are often still substantial and deductions are at their lowest of any lifecycle stage because there are few or no dependents, medical costs have not increased and home mortgages are usually paid off. The Economic Recovery Tax Act of 1981 (ERTA) provides a new three-tier investment tax credit (ITC) for qualified rehabilitiation expenditures. The Congress ought to consider expanding the ITC to include conversions creating accessory apartments. The ITC would be a substantial economic benefit to wage earners in their later years who do not have many deductions.

D. Problem. Most conversions present unique design problems often requiring professional assistance.

Remedy. A manual on the mechanics of conversion to create accessory apartments needs to be written. The clearinghouse I described earlier could be used to provide advice by telephone and by letter. Perhaps even advisory teams could travel around the country conducting seminars and assisting on specific projects.

E. Problem. Federal judicial decisions have created exclusionary zoning tests that make it difficult to challenge local land use regulations in Federal court.

Remedy. Two Federal decisions present serious impediments to challenging restrictive regulations in Federal court. In *Village of Arlington Heights* v. *Metropolitan Housing Development Corp.*, 429 U.S. 252 (1977), the U.S. Supreme Court held that a plaintiff must show that the land use regulators intended to discriminate. This is a strict test and not easy to meet. Consequently, it is very difficult to show an equal protection violation in land use cases in Federal court.

The other decision of concern is *Village of Belle Terre* v. *Borass*, 416 U.S. 1 (1974), in which the U.S. Supreme Court upheld a highly restrictive definition of the "family."

Congressional action can overcome these troubling decisions by legislating more appropriate standards. Clearly, an effort needs to be made to identify problems presented by Federal judicial precedent.

CONCLUSIONS

The scope of my comments has been narrow as requested. I have addressed only local restrictions on the creation of accessory apartments. As to this problem, I see a clear need for assistance by the Federal Government because it is the appropriate level or has sole jurisdiction. The Federal Government is the appropriate level for: Providing a clearinghouse; developing educational materials; studying the national experience as to conversions; and creating model regulations and codes.

The Federal Government has sole jurisdiction in: Creating Federal income tax incentives; and legislating Federal judicial standards of proof.

The demand for accessory apartments is high. They provide inexpensive housing, increase the utilization of existing residential space, decrease per unit energy costs, capitalize on prior investment, conserve valuable resources, and preserve the appearance of neighborhoods. Prompt Federal action can help in making this housing available to those individuals and families so desperately needing a safe, clean, and warm place to live.

In closing, let me tell a personal story. Five years ago, when my wife's grandmother, who lives in Coffeeville, Kans., was about 80 years old, she was depressed and barely making it on her limited retirement income. She was forced to live in a small, but relatively expensive third floor apartment in a high-crime neighborhood. There simply was no other rental housing available for a single, elderly person with little money.

The old hotel downtown was converted to efficiency apartments under the section 8 program, and she moved in. Her life changed dramatically. She is happy and feels safe and secure in her new apartment. The rent is reasonable and she is able to maintain her pride in being financially independent.

Section 8 is, for all practical purposes, of no further help. The burden has been shifted to the States and local governments, and to the private sector, to produce housing for the elderly. Accessory apartments provide the most obvious way for the private sector to provide needed housing at the local level.

Senator DODD. We will move right on to Ms. Richards.

STATEMENT OF MILDRED V. RICHARDS, REALTOR, MERIDEN, CONN.

Ms. RICHARDS. Senator Dodd, commissioners, and ladies and gentlemen, it is also a privilege for me to be here today.

I firmly believe that the elderly should maintain their homes as long as possible, whether they own a home of their own or whether they are renting and living independently. This is important to most older people.

We do sometimes forget that when we talk of the elderly, the needs of someone at 65 are entirely different than they are at 85, and I think that older people need professional guidance before they make a decision as to whether or not they are going to sell their home and move from a neighborhood in which they probably have lived for 30 or 40 years, not only changing their style of living but also changing their friends, people with whom they are familiar. It really can be a traumatic experience.

I have found that many older people who make a decision to sell their home and ask you to give them a market analysis think they are making a small fortune. They don't know what the market is out there. When they sell the homes they are living in today, they also, if they want to buy another house, are going to pay a higher price for that house. They aren't making a profit when they can't make the transition from a larger house to a smaller house, for the same amount of money.

Now, Marin had stated before that 69 percent of the people over 60 own their own homes. Eighty percent of those people have a home that is mortgage free, and this is fine, if they can buy a smaller house for the same amount of money or less than they receive from the sale of their larger house. They still will have to pay their taxes, utilities, and maintenance costs.

In this current tight housing market the condition and the location of the property, and the lack of suitable housing for them to replace it sometimes makes it difficult for older people to make the transition from owning and living in a larger home, or buying or leasing a smaller unit.

As I said before, smaller houses are not always available. Zoning laws and land use regulations often make it impossible for developers to construct small homes. Most towns could provide affordable housing for the elderly by removing constrictions to allow developers to build a larger number of dwelling units on a particular site.

And I think, if we are going to build smaller units that would be suitable for the elderly, we should also take into consideration the handicapped. The handicapped—it may be temporary or it may be permanent—but they still may be able to live independently. However, if a doorway is so narrow that they can't get a wheelchair through, then it makes it impossible for them to buy that smaller home without making renovations that could be extremely costly, or they just wouldn't have enough money to make them.

I feel that smaller houses designed for the handicapped would also be suitable for younger couples and could serve a dual purpose. Young couples would sell small homes as their circumstances change and buy the larger home that the elderly no longer need,

and the elderly can, in turn, move into the smaller homes that are suitable for their type of living when they reach the age of 65 to 85.

The current high interest rates make it impossible to guarantee a sale of an elderly person's home at what would be considered the highest market value obtained. If the equity in their present home is not sufficient to purchase for cash a smaller home they sometimes are better off to stay exactly where they are. I have known many older people who have been sorry they have ever sold their home, and consider they would have been much better off to stay where they were.

In fact, in my town of Meriden, many of the houses that were occupied by the elderly were of substandard living conditions, and revitalization and conversion into apartments of their present home would probably have solved their problems.

We established the Meriden neighborhood revitalization task force, of which I happened to have been a member, and we put in motion a program that has proven to be extremely successful. While this program is open to all residents in certain designated areas, it offers special considerations for the elderly and low-income families. Those elderly people whose homes were substandard could have them fixed and it wouldn't really, at this particular time, cost them anything.

When the property was sold then the funds that were given to them would be paid back.

My next topic is the housing market in the eighties. I am not an economist, nor do I have a crystal ball to tell me what the future is going to be, but I think that providing an affordable house will be a major issue in the eighties.

The costs of owning a home have risen sharply and many young couples find it impossible to realize their great American dream of owning their own home. If someone were to purchase a home or have a mortgage at $55,000 it could very easily cost them $900 to $1,000 to maintain that house per month, and this is far beyond what most young couples can afford.

Real estate activity is at its lowest level in 10 years and housing starts are down throughout the country. Mortgage rates have been in excess of 17 percent, resulting in the use of creative financing for 6 out of every 10 transfers of property.

The demand for housing continues to escalate. It is estimated the number of households by the end of the decade will be 34 percent higher than in the 1970's. Contributing to this growth are the young, the single, and the elderly persons with limited incomes.

We are experiencing instability in the mortgage market which is, no doubt, caused by inflation. We anticipate a decline in interest rates toward the middle of 1982, but an acceleration during the fall and winter of 1982 and 1983.

A lessening of the tight credit policies by the Government would result in lower interest rates which would lead to a growth in new housing development affording some relief for the housing shortage. It is expected that housing construction will improve through 1982 and 1983. Home prices can be expected to increase at the rate of overall inflation, except in areas where there is an acute housing shortage.

Land costs have risen so sharply and often its use is restricted too extensively. High interest rates and the increased costs for land development make it impossible for builders to risk developing properties today.

During the 1980's, primarily because of the affordability problem, housing trends will change sharply. Existing buildings, particularly in central cities, offer an opportunity for conversion into apartments. The market will grow for some dense townhouse development, and factory-built housing will increase considerably.

In order to supply adequate housing, Government and industry must work together to meet the needs of our changing households and improve affordability of homeownership.

Senator DODD. Thank you very, very much.

[The prepared statement of Ms. Richards follows:]

PREPARED STATEMENT OF MILDRED RICHARDS

What is the market like for older owners who wish to sell larger homes and buy/rent smaller units? How do you expect the market to behave in the next 5 years?

The elderly should maintain homes of their own as long as possible, regardless of whether or not they own their own home or maintain independency through the rental of a unit. I will address the problems that confront older persons, when they find it impossible to adapt their existing larger homes to their present needs after the family structures change, when children are grown and leave home, or when elderly persons are widowed. With proper guidance and assistance, we can keep the majority of our older citizens living independently and out of institutions.

The transition from one way of life to another could be a traumatic experience. As people live longer, we find the needs of the elderly change. Requirements at 65 are different than those at 85 or older. Local officials and public housing authorities should have trained staffs to counsel the elderly on the availability of housing and nonshelter needs, especially those with low and moderate incomes. The elderly need to know about housing that offers provisions for the physically handicapped—housing units designed to enable the handicapped to manage independently.

One alternative for the elderly is to sell their home and buy a smaller one or rent a smaller unit. Smaller houses that are easier to maintain and are more conveniently located in an area designed for mixed occupancy use may solve the physical and social problems of some elderly. Those who desire to reside in a unit of housing specifically designed for the elderly which also offers community facilities may also maintain their independence. Whether the elderly decide to sell their present larger homes, desire to home share, convert their home into apartments, participate in home equity conversion, buy smaller homes, rent public housing units, or feel the need for nursing home care, proper guidance is essential.

A survey completed in 1980 by the University of Connecticut Institute for Social Inquiry indicates that 69 percent of Connecticut residents age 60 and over own their own homes, 25 percent rent, and 5 percent have other arrangements. Eighty percent of the owned homes were mortgage free, 44 percent who live alone, live in five or more rooms, and 48 percent of two-person households live in six or more rooms. Many are able to live in their larger homes and neighborhoods but find it difficult to pay the taxes, utilities, and maintenance costs on low retirement incomes.

The current tight housing market, the condition and location of the property, and the lack of suitable housing for the elderly, sometimes makes it difficult for them to make the transition from owning and living in a larger home to buying or leasing a smaller unit. Small houses for purchase are not always readily available. Zoning laws and land use regulations often make it impossible for developers to construct small homes. Most towns could provide affordable housing for the elderly by removing restrictions to allow developers to build larger numbers of dwelling units on a site.

Current high interest rates makes it impossible to guarantee a sale of an elderly person's home at what would be considered the highest market value obtainable. If the equity in their present home is not sufficient to purchase for cash a smaller home, the cost to maintain their present home could be considerably lower.

One solution for those who sell their present larger home and find they do not have enough equity to purchase a smaller home without carrying a mortgage is for

them to move into an apartment and use the equity from the sale to help maintain the apartment.

Many homes occupied by the elderly offer substandard living conditions. Revitalization and/or conversion into apartments of their present home may solve the problems of some elderly. The Meriden Neighborhood Revitalization Task Force, of which I was a member, put in motion a program that has proven to be extremely successful. While this program is open to all residents in designated areas, it offers special considerations for the elderly and low-income families. It has enabled many elderly to remain in their homes and neighborhoods.

Providing affordable housing will be a major issue throughout the eighties. The costs of owning a home have risen sharply and many young couples find it impossible to realize the "great American dream" of owning their own home. Real estate activity is at its lowest level in 10 years, and housing starts are down throughout the country. Mortgage rates have been in excess of 17 percent, resulting in the use of creative financing for 6 out of every 10 transfers of property.

Demand for housing continues to escalate. It is estimated the number of households by the end of the decade will be 34 percent higher than the number in 1970. Contributing to this growth are the young, single, and elderly persons with limited income.

We are experiencing instability in the mortgage market which is no doubt caused by inflation. We anticipate a decline in interest rates toward the middle of 1982, but an acceleration during the fall and winter of 1982–83.

A lessening of the tight credit policies by the Government would result in lower interest rates which would lead to a growth in new housing development, affording some relief for the housing shortage. It is expected that housing construction will improve through 1982 and 1983. Home prices can be expected to increase at the rate of overall inflation except in areas where the housing shortage is acute.

Land costs have also risen sharply and often its use is restricted extensively. High interest rates and increased costs for land development make it impossible for builders to risk development.

During the eighties, primarily because of the affordability problem, housing trends will change sharply. Existing buildings, particularly in central cities, offer an opportunity for conversion into apartments. The market will grow for some dense townhouse development and factory-built housing will increase considerably. In order to supply an adequate supply of housing, government and industry must work together to meet the needs of our changing households and improve affordability of homeownership.

Senator DODD. Mr. Nocera.

STATEMENT OF ROBERT J. NOCERA, VICE PRESIDENT, THE BANKING CENTER, WATERBURY, CONN.

Mr. NOCERA. Thank you, Senator Dodd, commissioners, ladies and gentlemen. Thank you for the opportunity to be here to make some comments. As I judge to be the only banker on the panel I feel a little bit like Daniel in the lion's den, especially when the high interest rate comments are made. Fortunately, I had nothing to do with that.

The first area that it was suggested I discuss was the ability for an elderly owner to sell his home today. I think Ms. Richards covered many of the points I wanted to make.

I agree wholeheartedly with her on the need for good advice. The big concern that we face when we are aware that there is a sale by an elderly person is that, first of all, they are getting a fair price for the home, and second, that they are not being forced into creative financing plans.

That, by the way, equates usually to the seller taking back some kind of financing below market. That is what makes it creative. Therefore, if the elderly is taking back financing, that leaves less capital available to solve the next housing problem, and also gives them a less than market rate of return on the equity in the home.

Other than that, I think it is fairly clear. There is a limited housing stock available. Many of the real estate agents that I talk to complain not about the number of buyers, but about the lack of units to sell, and believe that if they could find a properly priced unit in the marketplace they could find buyers for them, even at high interest rates today, so I would say that if an elderly person were interested in selling their home, as long as it were not overpriced, they would probably not have a great deal of problem selling it.

Several State financing programs are available that would be of assistance to a young buyer, if the house is located particularly in an urban area if that individual is not in a very high income bracket.

I think the problems get to be more difficult with the next question: What happens if the elderly person wishes to retain his or her home and wants to meet current debts and expenses?

What we have here is the classic house rich-cash poor problem that has received much attention in recent years. The reverse annuity mortgage which we lenders in Connecticut are permitted to offer, has been an attempt to solve this very difficult problem, but high interest rates and legal restrictions have rendered this concept almost ineffective.

The programs to limit real estate taxes and utility costs have been helpful, but the real problem is the valuable equity that is contained within the home and remains untapped. This equity, plus the power to earn on the equity, is what the elderly person needs to offset the current high cost of living.

Senator DODD. Mr. Nocera, Commissioner Shealy has told me that you or your institution did a very comprehensive study on the reverse annuity mortgage situation. Is that true?

Mr. NOCERA. Yes, we did. It was not just our institution but the banking institutions in the State hired the services of the University of Connecticut Real Estate Department through which an extensive study of the reverse annuity mortgage was made and the net result was it just doesn't work.

Senator DODD. I would like to request that that study be made a part of this record. That certainly is one of the options that we are looking at. Could you provide a copy of that to the committee?

Mr. NOCERA. I believe in my office I have a copy, and if I don't I know where I can get one. I am sure I can provide one for you.

Senator DODD. Thank you. Sorry to interrupt.

Mr. NOCERA. No problem.

[Subsequent to the hearing, the following material was received for the record:]

HOUSING PROBLEMS OF CONNECTICUT SENIOR HOMEOWNERS

COMMENTS BY ROBERT J. NOCERA, VICE PRESIDENT, THE BANKING CENTER

What financing mechanisms are now available to help older owners who wish to sell?

A homeowner wishing to sell his or her home generally doesn't have an overwhelming problem. If the home is not very high cost or overpriced it will generally sell. There is a limited housing stock available now which will make selling easier. The biggest problem will be the seller finding mortgage financing. CHFA and Yankee Mac programs would help ease this problem.

What programs are available for those wishing to keep their homes but who are having trouble meeting current debts?

This is the classic house rich-cash poor problem that has drawn much attention in recent years. The reverse annuity mortgage was created to solve this very problem but high interest rates and legal restrictions have rendered this concept ineffective. Programs to limit real estate taxes and utility costs have been helpful but the valuable equity, generally the major asset of an elderly homeowner, goes untapped. Except for some limited successes in San Francisco, Buffalo, and Milwaukee, there are no available programs to solve this problem.

What can be done to encourage the financial community to help?

To gain the help of the financial community it is necessary to create a profit motive. The traditional home lenders (thrift institutions), who would normally be looked upon to provide solutions, are experiencing difficult financial times and cannot be expected to participate in marginally profitable programs.

But there are existing tax and income incentives that could encourage individuals and private businesses to get involved. These coupled with some additional motivators could make equity conversion programs attractive. I have submitted under separate cover more details on this idea.

Nonprofit groups are another possible source for freeing up equity. Not only do they offer the nonprofit, nontax advantage but can be a great source for administering a program.

Mr. NOCERA. We do have some successful reverse annuity programs going on. I know that Commissioner Shealy mentioned the activities down in New Jersey. Some other areas where we have reverse annuity programs that seem to be working are in San Francisco, Buffalo, and Milwaukee. These generally are sponsored through nonprofits or through the assistance of State or local governments supporting these programs.

But they are very limited and they are not really solving the overall need for the large percentage of elderly people who own their own home almost debt free.

The next issue is what does the financial community do to help. I would like to address two aspects. First, I would like to suggest that the financial community is a profit-motivated set of institutions and the traditional home lender, the thrift institutions who would normally be looked upon to provide innovative solutions today are experiencing, as a whole, financial difficulties such that they are not going to look forward to being involved in marginally profitable programs. And that is what a reverse annuity mortgage would be at best, marginally profitable for the lender and probably not very effective for the borrower.

So I don't know that the financial institutions per se are the specific place to look, but I do think the key is profit motive. And I would like to suggest that we have recently had some changes in tax law which have further encouraged the individual or company who is profitable to seek out tax advantages in real estate investment. An area where this could be done is perhaps in this freeing of equity in elderly housing.

I have, along with members of a subcommittee for the elderly housing task force, worked on the idea. We have come up with several ideas. I think the gentleman out of New Jersey right now who is working on that concept is working specifically in the area of bringing the private sector in to a profit-motivated solution to freeing equity for housing that is currently owned by the elderly.

I think there are other solutions. I think if you combine, as example, the new tax advantages with the limited partnership concept you could, in fact, have investors buying elderly housing on

the basis that the elderly person will retain life occupancy of the home. I think it can be worked out. We have done some preliminary studies. There is an awful lot of detail that needs to be resolved here but I think that where the Governmental agencies can be of the most help is not necessarily in providing money but perhaps in resolving some of those issues.

Like, if the elderly person were to sell the home, and if the total capital derived from the sale were to be invested at a rather high rate of return in today's marketplace, and a portion of that investment were to go to the elderly on a monthly basis as a stipend to offset expenses they would, in fact, be receiving income from that equity.

In addition, the balance of the moneys from that investment could go to the investor, along with the tax incentives of owning a tax depreciable asset, the home, and that combined could make a profit for the investor and could have a cash return for the elderly.

One of the problems in this concept is who is going to administer the trust of the estate? Perhaps the governmental agencies who might be inclined could work in that area to resolve those difficulties.

I think, with that big problem out of the way we almost have a solution here. In addition, one of the problems that we face with trying to keep elderly in a home after they have sold it is the heirs to that elderly person's estate want the equity themselves, and they will fight like crazy to keep their mother, father, elderly uncles, brothers, whatever, from selling the home for fear they will lose the equity.

This concept, as you can see, takes the capital proceeds from the sale and puts it into a trust. Only the income from the trust is utilized, while the principal remains and could either in total, or the majority of it, go to the heirs of that elderly person's estate, because the investor, at the end of either the life of the elderly or the end of the occupancy of the elderly would keep the house.

The house would be appreciating in value, and so the investor would have the additional advantage of that, while the elderly person's estate would benefit from the capital proceeds from the sale.

Now there is always the concern about whether the elderly could maintain the house during the period of occupancy, and what happens if there is a great deal of deterioration caused by lack of routine maintenance? It could be worked out that a portion of that trust fund would be reserved for improving the house back to its original state, less normal wear and tear, so that when the investor took back the property, it was a salable property and he would, in fact, see some appreciation in value.

I think that there are potential solutions in this concept, along with other concepts that are being worked out, and we are limiting ourselves if we fail to look to the private sector, profit-motivated people to solve this problem.

The last comments I would like to make is that nonprofit groups can be a great asset as a team member in this concept, because perhaps here is where we can find help for such things as administering the trust, or in some cases perhaps even owning the property themselves, since there is tax free and nonprofit or no profit requirements when a nonprofit would own the property.

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Those are my comments.

Senator DODD. Thank you very, very much for them. I look forward to seeing your study.[1] I will have a question or two for you at the conclusion.

Mr. Heintz, you have submitted written testimony. Would you care to paraphrase it? We will accept it in its entirety as part of the public record.[2]

STATEMENT OF HAROLD F. HEINTZ, MANAGER OF PLANNING AND PROGRAM ANALYSIS, CONNECTICUT HOUSING FINANCE AUTHORITY, HARTFORD, CONN.

Mr. HEINTZ. I thank you, Senator Dodd. Certainly I will paraphrase it in view of the hour and you can hear my voice; it is very weak. What I would like to say is that the authority is really sincerely pleased that you have provided it with an opportunity, and everyone else here an opportunity, to testify on what it is doing and what is needed for housing the elderly.

You brought the road show to Connecticut. Commissioner Canale and Commissioner Shealy would probably not be able to go to Washington. I hope this is a precedent for other congressional committees.

What has CHFA accomplished? It is probably one of the most significant accomplishments in the State in the form of financing housing. The problem is its record is not generally known. I would have appreciated an opportunity to discuss this record in more detail. CHFA has issued a total amount of $1.5 billion in mortgage revenue bonds since its inception in 1969 to assist in providing housing for low- to moderate-income households, including the elderly and handicapped.

In its home mortgage loan program, it has made available over 25,000 loans to low- to moderate-income people in 157 towns, with an approximate age of a loan recipient being 32 years. How does this bear on the needs of the elderly? It bears directly, Senator Dodd, on what you were saying earlier, on the need for the elderly to sell their homes, where their existing home exceeds their needs, to younger families who have need of these larger sized homes.

It has, as I have said, proven to be an effective mechanism. It is in trouble. I repeat: It is in trouble. The trouble originates from the Mortgage Subsidy Bond Tax Act of 1980, which imposes a great many restrictions, including a sunset provision as of December 31, 1983.

The authority has been working diligently to seek relief in the form of legislative relief and/or regulatory changes to resolve these restrictions. Partial relief in the form of a change in the regulations was brought about, I think, because of the substantial interest on the part of the Congress. One of the bills that was introduced was cosponsored by Senator Dodd.

The regulations were changed in mid-November. The authority, in 2 weeks, was out with a bond sale. The bond sale was consumated in the amount of $200 million, the maximum amount allowable to the State, on December 15. The State was one of only two States

[1] See appendix 1, item 3, p. 81.
[2] See p. 68.

in the Nation to make this maximum allowable amount of money through the sales of bonds available to its residents. I think that is testimony not only to the congressional pressure that was put on but, also a result of a real fast, hard decision by Governor O'Neill to allocate the entire amount to CHFA, thus enabling the staff to get the maximum amount and not lose any of the balance.

The other major program that the authority administers and finances is its multifamily program. This is a rental housing program for low- to moderate-income families and the elderly. The authority has financed a total of 95 projects consisting of 9,592 units; 7,787 are complete and 1,805 are under construction and scheduled for completion in 1982.

In addition, we have 25 projects in process, about 2,600 units, and out of that about 78 percent of those in process are for the elderly. Of those completed, approximately 53 percent were for the elderly.

I would be remiss if I did not point out that the authority's multifamily program is substantially dependent upon the availability of deep subsidy, section 8 funds. As Senator Dodd already pointed out, the availability of section 8 subsidy funds in the fiscal year 1983 budget are not included for new construction. In its place is a yet-to-be-defined housing voucher system that will not add to the production of housing, which represents the most critical need here in the State of Connecticut.

Thus, I sound like a prophet of doom and gloom for the authority. We have a sunset provision on one program and on the other program, we have a situation where Federal funding in the form of subsidy will not be available in the foreseeable future. We are not going to roll over and die. We are looking at new, innovative, imaginative ideas so we will be able to continue to supply financing for housing here in the State.

I hate to use the word, but it may be a new beginning. [Laughter.]

I thought it was inappropriate so I thought I would use it—in that we may have to deviate from housing finance programs that serve low- to moderate-income households, which means a change in our enabling legislation and allow participation from people with higher incomes. It may involve the issuance of taxable bonds without any income constraints or risk to the State.

It is a change. It would be premature if I went into any detail on the definition of these concepts right now. The concepts would add to the housing supply. The benefits would trickle down to the low- to moderate-income families.They are subject to the same criticism that the trickle-down theory, as applied to economics, is concerned; that it is going to take much more time before they benefit those most in need. Thank you.

Senator DODD. Thank you very, very much. My feeling has always been that CHFA has done a very good job in the State with allocating resources to produce housing for the low-income elderly. As bad as things are, without CHFA's efforts, our situation would be far worse than it presently is. While we are not in great shape, I think we are better off than many other States which have not dedicated resources—in some cases any resources—to building houses for low-income seniors.

As one member of the congressional delegation, I feel fairly confident that I speak for them all when I say that we appreciate CHFA's efforts very, very much. We only regret that we can't supplement what you are doing, frankly, with a promise of greater Federal participation for the housing needs of the State.

[The prepared statement of Mr. Heintz follows:]

PREPARED STATEMENT OF HAROLD F. HEINTZ

My name is Harold F. Heintz. I am testifying at this hearing of the Special Committee on Aging in my capacity as manager of planning and program analysis for the Connecticut Housing Finance Authority.

On behalf of the authority, I commend Senator Dodd for conducting this hearing here in Connecticut, a State that represents a microcosm of those industrialized, urbanized States that share the common problems of an aging housing stock, low vacancy rates for existing housing, historic low volume of new construction, and a relatively stable total population, with the elderly and "baby boom" generation of the 1950's composing an ever-increasing segment of the population.

The authority is pleased to testify at this hearing as it has an impressive record of achievement in financing housing for low- to moderate-income households, including the elderly, in the State. Because this record of achievement is not generally known, even to many of the direct beneficiaries, it is necessary and appropriate that it be recorded in the proceedings of this hearing.

(1) What is the Connecticut Housing Finance Authority?

The Connecticut Housing Finance Authority was created in 1969, by chapter 134 of the general assembly, and as amended. Pursuant to the act, the authority is a public instrumentality and political subdivision of the State for the purposes of increasing the supply of and encouraging and assisting in the purchase, development, and construction of housing for low- and moderate-income families and persons throughout the State. To accomplish such purposes the authority has implemented its housing mortgage finance program and has heretofore issued nearly $1.5 billion aggregate principal amount of bonds to finance the purchase of permanent home mortgage loans for owner-occupied housing, consisting of not more than four household units, the making of certain construction and permanent mortgage loans for multifamily residential housing, and the funding of certain reserves.

(2) What has the Connecticut Housing Finance Authority accomplished?

A. *Home mortgage purchase program.*—As of December 31, 1981, the authority has financed a total of over 25,000 home mortgage loans in 157 Connecticut towns. CHFA borrowers in 1981 had an average annual family income of $21,073, and purchased homes with an average purchase price of $46,270. Based on an average household size of 3½ persons per loan, a total of approximately 90,000 people have benefited from this program since its inception. Although the average age of the borrower is 32 years, this cannot be construed as having little or no benefit to the elderly. To the contrary, the program provides a mechanism to allow elderly homeowners to sell existing houses that exceed their needs to eligible CHFA borrowers, and to use the net proceeds of the sale to purchase smaller sized houses with reduced maintenance and operating costs. It should be noted that, prior to the enactment of the Mortgage Subsidy Bond Tax Act of 1980, the elderly seller would be eligible for a CHFA loan if a mortgage on the second home was necessary, and provided that the loan conformed to the authority's income and sales price limits. However, under the act, this would no longer be possible as mortgage loans are restricted to first-time homeowners, except in targeted areas.

I would be remiss if I failed to report that this program is in serious trouble as a result of the Mortgage Subsidy Bond Tax Act of 1980, which became effective January 1, 1981. The constraints imposed by this act, and the Federal regulations pertaining thereto, prevented the authority and the vast majority of other housing finance agencies, from issuing mortgage bonds during most of 1981. However, as a result of substantial congressional interest in introducing necessary clarifying legislation, one of which was cosponsored by Senator Dodd, a partial, but significant modification to the regulations was made in mid-November 1981. The authority, with the full support of Governor O'Neill, was quick to respond to this opportunity. Within 2 weeks the authority sold the maximum mortgage bond amount of $200 million allowed the State under the act. This is the largest single sale in the 11-year history of the authority, with Connecticut and Alaska the only States to sell their maximum amount of mortgage bond financing. This timely and aggressive policy will result in home mortgage loans at a rate of 13.5 percent for some 4,000 eligible

borrowers in the State. However the act includes a December 31, 1983, sunset provision, and I urge the committee to carefully consider the impact on mortgage financing prior to the "execution" date. In addition, I urge the Congress to give early consideration to the bipartisan legislation that was cosponsored by Senator Dodd to alleviate some of the other restrictive provisions of the act.

B. *Multifamily finance program.*—The authority has provided financing, in the form of construction and permanent mortgage loans, in the original principal amount of $295 million, to support a total of 95 multifamily projects, consisting of 9,592 units of rental housing in the State. Of this total number of units 7,787 or 81 percent, are complete and occupied, with the balance of 1,805 or 19 percent, scheduled for completion during 1982. Moreover, the authority has 25 projects, consisting of an additional 25 projects, comprising 2,661 units, in process.

The authority multifamily program has proven to be an effective method of meeting the rental housing needs of the elderly. For example, of the total of 9,592 units financed by the authority, 5,107 or 53 percent, represent housing units for the elderly. In addition, of the total of 2,661 units in process, 2,072 units or 78 percent, represent elderly units.

This impressive record of production of rental housing for the elderly speaks for itself and is truly representative of the authority's commitment to meet the housing needs of the State's senior citizens who have given so much, and have demanded so little, during their productive years. The record has been criticized from some sources on the basis that it is too heavily weighted in support of elderly housing. If one were to adopt a simplistic view of housing needs, the statistics would tend to justify this criticism. However, a more sophisticated analysis of the housing market and needs justifies this ratio. There are many elderly households who are renting housing that exceeds their needs, just as there are many elderly households that own houses that exceed their needs. By providing small-sized rental housing for the elderly, the authority is making available the larger sized housing that the elderly previously occupied for families in need of such large-sized housing.

The vast majority of the multifamily projects already financed and in process are made possible by the section 8 Federal subsidy program. It is the authority's understanding that this program is to be terminated in the fiscal year 1983 Federal budget, and funds appropriated in fiscal year 1982 for new construction may be rescinded. It is further understood that the Federal administration is considering a yet to be fully defined housing voucher system to replace the section 8 Federal subsidy program. If this understanding is correct, the authority does not believe that the major need of increasing the supply of affordable rental housing for low- to moderate-income households, especially the elderly, will be met. Therefore, the authority urges the committee to consider the "supply side" of any housing proposal introduced by the administration. It is the authority's contention that, over the years, the housing finance agencies throughout the United States have developed both the experience and multidisciplinary expertise to work with both the public and private sectors in the provision of housing to meet the needs of low- to moderate-income households, including the elderly. To deny or delay further participation by such agencies is to waste a valuable resource that is creatively assisting in meeting a basic human need, i.e. adequate, safe, affordable housing.

The future capacity of the authority to continue to provide the financing to meet the housing needs of low- to moderate-income households, especially the elderly, is highly uncertain at this time. What appears to be certain is that the issuance of tax-exempt mortgage bonds to support the authority's home mortgage loan program will terminate on December 31, 1983, and the deep subsidy funds provided by the section 8 housing subsidy program to sustain the authority's multifamily housing production program will not be available after December 1982.

In considering this discouraging scenario, the authority is presently engaged in developing innovative and imaginative financing concepts to assure that it will continue to be an effective source of financing for housing in the State. It would be premature and perhaps precarious to be specific at this time. Some of the concepts involve the issuance of taxable mortgage or mortgage-backed securities, with short maturity dates to reduce high interest rates. The use of private pension funds targeted to meet housing needs and to serve as an economic stimulus to housing construction is already in the discussion stage. Passthrough securities for corporations actively involved in providing a guaranteed fixed-rate, fixed-term mortgage for an employee's new home is also under active consideration. Most of the concepts under consideration will require participation by persons with a higher income than the authority has historically served. However, they are directed at increasing the supply of housing in the State and this represents the greatest overall need. When they are implemented, the benefits associated with increasing the housing supply

will "trickle down" to households and persons of low income. However, the need is today, and the promise of the "trickle down" theory, whether applied to economics or housing, is to "give it more time." Under prevailing conditions, the issue of "how much time" is indeterminable.

Senator DODD. Let me ask, if I can, just a few questions. I will try not to keep anyone too long. We have been here almost 5 hours.

Mr. Nocera, talking about the American Homestead, Inc., the reverse annuity mortgage project in New Jersey, can they plan to make money if the RAMS are not working?

Mr. NOCERA. The reason why RAM doesn't work, Senator, is because of the interest rate.

Senator DODD. What would be the interest rate where it would work?

Mr. NOCERA. A lender is not going to take less of a return for moneys that he doles out in a reverse annuity than he would for any other loan. Therefore, today the rates might be on the level of 16½ to 18½ percent, depending upon whom you talk to and the type of loan that you get.

If that happens to be a variable rate, which is very popular today, then the rate will continue to change. Therefore, most of the equity is going to be used up just to pay the current interest. Then, of course, since it is a loan, you have to pay back the principal as well, eventually.

Now, the problem is no matter what type of schedule you set up you can imagine that you are only going to be able to advance that equity for a fixed number of years before you run out of the available equity, paying back at high interest.

It says to the elderly person in some ways, well, perhaps you can live 5 years more, or maybe 10, but then after that the question of whether you can continue to live in your home is undecided, because if your home doesn't appreciate substantially in value we won't be able to refinance on a new schedule.

Meanwhile, the elderly person realizes that every bit of value in the home is being eroded, is going back to the bank eventually. They are going to lose their home completely, because they will have used all that up in the way of a building up of principal and the interest that they owe.

Senator DODD. About 80 percent of the depositors in savings and loans are elderly. I don't know if you agree with that figure or not, but I have heard that figure used. As a result, what kind of an obligation does the thrift industry have regarding these elderly depositors? As a banker what do you think?

Mr. NOCERA. Senator, I hope you don't take this comment to be reflective of the opinion of the industry. I will speak my opinion on the subject. I think that the obligation is believed to be met by the thrifts by paying what is a very high rate of interest for the deposits that are being held. You know the problems of the liability-asset mix that exists in the thrift industry. I think the argument would have to be that while we are being required, because of competitive reasons, to pay ever higher costs of interest on deposits, we must receive ever higher rates of return on our asset portfolio or we will be out of business.

So I don't think we can subsidize both ends, and that is what would probably be required in a time when any form of subsidy just isn't palatable.

Senator DODD. Thank you.

Mr. Merriam, your information is extremely helpful, as are your suggestions. Your suggestions for involving the Federal Government in a number of areas will certainly be taken into consideration in putting together our demonstration bill or alternative housing for older Americans.

I guess the most startling statistic is that the group of those over 65 years of age is growing twice as fast as the rest of the population. If we think we have a problem today in meeting the needs of a constituency that has retired, it is just the beginning. So I guess, looking at you, we have a selfish interest in all of this.

Mr. MERRIAM. I am part of the other age cohort that is growing almost as fast, and that is the World War II baby boom.

Senator DODD. Well, that is what I said I was looking at. I am gray.

Mr. MERRIAM. The World War II baby boom kids are the ones putting the pressure on the housing stock. The other startling—I mean it is really a revolutionary statistic, a demographic statistic—is the decrease in average household size by more than 10 percent in the last decade, from approximately 3.2 persons per household down to 2.7 or 2.8. Many of these newly created households are World War II baby boom children born between 1946 and 1955, that have completed their education, and whatever else they were doing, military service, for example, and have gone out to form their own households.

These families, these households of one and two persons, are also being excluded equally as much as the elderly, and the accessory apartment solution is wonderful for both age cohorts, because the newly created unit will be occupied by either an elderly individual or typically, a young not-yet-married, or a young married-with-no-children household.

So it meets both ends of the problem, I think.

Senator DODD. Mrs. Richards, we appreciate your comments and thoughts this morning as well. I want to thank the panel for their comments. I think we have copies of all your testimony. If we don't would you make sure the committee staff gets them?

Before concluding the hearing, I meant to thank several people this morning. Of course, I thank the State senate of Connecticut for making this chamber available for this hearing. Certainly, I thank Lieutenant Governor Poliso and the leadership of the State senate for their courtesy and their staff. Ruth Price, who I neglected to mention at the outset, works with Commissioner Canale and has done a tremendous amount of work. We appreciate her assistance. I thank Arnie Pritchard from Commissioner Shealy's operation for his involvement and assistance. Also, Laurie Cohen from the Legal Services in Connecticut has also been extremely helpful. Becky Beauregard is from Senator Heinz' staff and she has done a tremendous job working with Marsha Renwanz of my office, along with Kathy Deignan from Senator Chiles' staff in Washington. We are grateful to them for all the work that they have done this morning.

I would also like to point out that there were a number of legislators who would very much have liked to participate this morning. I myself would have liked to have had them participate. You invariably run into the problem of time in trying to cover bases. It certainly was not my intention at all not to give people a chance to participate. I regret that some who had wanted to testify and were not able to in the 4 or 5 hours we have had together this morning.

But, for the record, I would say that anyone and particularly those legislators who are directly involved in State committees here in this assembly, where we now sit, that are involved in these issues, we would very much like their participation, comments, and thoughts.

These were not all-inclusive hearings by any means. There are many gaps that are going to have to be filled in if we are going to make these hearings complete. We focused on elderly housing and just in that area there are more things we could have talked about. We are going to continue our discussions on elderly housing, low-income housing, moderate housing, housing for first-time home buyers, and others, because I consider housing to be one of the major domestic issues that we face in the country. So this is not the beginning and end of the dog and pony show here in Connecticut.

This hearing is what I stated it to be at the outset—the start of a process. We wanted to learn from people right here in Connecticut about some of the housing alternatives for seniors being tried here. We will continue to check and see whether or not they are working. If they are not working, we want to know why not. We want to hear ideas that we haven't thought of yet so that we might include them in the demonstration bill that I'll be offering in 1982, to see if we can't come up and try out some of these ideas.

Some of these ideas may fall flat on their face, and if they do, then we will try others. But we are not going to stop trying until we come up with some ideas that will work. That is what we have got to do. We have to face the realities and move forward with them.

So again, my thanks to those who were here to sit in or to participate. We will continue this process and for those who did not testify this morning, I will see to it that we take your comments. The next opportunity we have we will make sure you are included in the hearing process.

I thank you all very, very much. This hearing is adjourned.

[Whereupon, at 2:25 p.m. the committee adjourned.]

APPENDIXES

Appendix 1

MATERIAL SUBMITTED FOR THE RECORD

ITEM 1. RESULTS OF SURVEY ON HOUSING NEEDS FOR THE ELDERLY, SUBMITTED BY MARVIN KAY,[1] SOCIAL WORKER AND PLANNER, OFFICE OF HOUSING AND SOCIAL SERVICES, WEST HARTFORD, CONN.

RESULTS OF SURVEY ON HOUSING NEEDS FOR THE ELDERLY

The Division of Housing and Social Services conducted a sample survey by sending out a questionnaire to 220 elderly receiving a tax-freeze and 220 elderly receiving a circuit-breaker from the town. Of the 440 questionnaires mailed out, 192 were returned to us, for a return rate of 44 percent.

The questionnaire was designed with the purpose of understanding what the housing and social services needs and concerns are of these families.

Listed below are the questions that we asked and the numerical responses received. Some respondents did not answer all the questions and their responses may not be equivalent to the overall return to us.

RESPONSES

(1) 102 were returns from renters; and 90 were returns from homeowners, for a total of 192.

(2) 2 were between 60 to 65; 82 were between 65 to 75; and 102 were over 75, for a total of 186.

(3) 12 responses were single men; 128 respondents were single woman; and 53 respondents were couples, for a total of 193.

(4) If moderately priced rental apartments for the elderly were available in West Hartford, would you be interested in occupying such housing?

Renters: 79 yes; 17 no.

Homeowners: 36 yes; 46 no; 7 maybe.

Total: 115 yes; 63 no; 7 maybe.

(5) If a congregate development (apartments having efficiency kitchens and dining rooms, serving the whole complex, where meals would be served at a normal price) were available, would you prefer to live there rather than an apartment?

Renters: 18 yes; 65 no.

Homeowners: 27 yes; 53 no.

Total: 45 yes; 118 no.

(6) Why would you consider living in a rental apartment or congregate development?

	Renters	Homeowners	Total
Home too difficult to maintain	10	34	44
Home too expensive to maintain	13	26	39
Lack of transportation	8	9	17
Poor health	14	21	35
Death of a spouse	11	9	20
To avoid living with relatives	22	8	30
Present rent too expensive	39	.....	39
Present apartment not well maintained	11	.....	11
Present apartment being converted to a condominium	9	.....	9
Other	1	1	2

[1] See statement, page 28.

(7) If you would prefer to remain in your present living arrangements, what services would help you to do so?

	Renters	Homeowners	Total
Transportation	22	21	43
Home health care	14	12	26
Home maintenance help	6	31	37
Housekeeping assistance	23	18	41
Meals-on-wheels	7	11	18
Financial aid	30	6	36
Care of grounds	1	40	41
Other		1	1

(8) Please check the total annual income for you and your spouse, including social security:

	Renters	Homeowners	Total
Less than $4,000	14	6	20
$4,000 to $8,000	65	49	114
$8,000 to $12,000	9	22	31
$12,000 to $16,000	1	3	4
Over $16,000			

(8A) If you own your own home, what are your annual real estate taxes?

	Homeowners	Total
Under $800	38	38
$800 to $1,000	25	25
$1,000 to $1,500	17	17
Over $1,500	2	2

(8B) What is your monthly mortgage payments? Three families are still making mortgage payments.

(9) If you rent, what is your monthly rent? The average monthly rent was $273.07; the average utility costs was $21.31 for an average total cost for rental apartment of $294.38.

ITEM 2. ADDITIONAL TESTIMONY AND MATERIAL SUBMITTED BY PEGGY CHAPIN,[1] REGIONAL PLANNER, SOUTHWESTERN REGIONAL PLANNING AGENCY, ROWAYTON, CONN.

Thank you again for giving me an opportunity to testify re accessory apartments. In my written submission, I did not include the major advantages of accessory apartments, but only those which particularly pertained to the elderly. Therefore, please add the following major advantages to the official committee hearing transcript:

Accessory apartments are:

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[1] See statement, p. 39.

The only way to significantly increase the supply of rental units, since apartment complexes are no longer economically feasible to construct.

An addition to the total housing stock, which is important in areas with extremely low vacancy rates.

A means to satisfy the need for small units, which are unlikely to be built where land costs are high.

A way to insure code enforcement in areas where illegal apartments proliferate.

During the hearing, you asked what could be done to help the urban lower income elderly. In my opinion, lower cost housing in urban centers must be protected. This can be done by rezoning areas used residentially but zoned for commercial or industrial use to a residential zone. This will prevent speculators from buying up lower cost housing for future commercial development. Community development funds can be used to rehabilitate this housing. Although this requires local initiative, perhaps a HUD demonstration project which provided modest rehabilitation funds could highlight this means of conserving low-cost housing.

I am certain your Stamford office has collected information on the San Francisco plan, but I will enclose a brief summary. Inherent in the plan is the option to give "double credit" for desirable housing types; i.e., low-cost, small-unit housing appropriate for the elderly. Permissive legislation on the State or national level would protect cities which require commercial developers to provide housing units.

Finally, condominium conversions provide an opportunity for local or State housing authorities to buy units currently occupied by the elderly. The elderly occupant could continue to pay rent to the housing authority, which would cover mortgage costs, until the unit could be resold or the mortgage was paid. Seed money for downpayments would be a worthy HUD demonstration project.

I cannot tell you how gratifying it was to attend your hearing and to realize that there are still a few who are concerned about housing needs for all ages. I have begun to feel like an endangered species!

Enclosure.

THE SAN FRANCISCO OFFICE HOUSING PRODUCTION PROGRAM [OHPP] INTERIM GUIDELINES FOR ADMINISTERING THE HOUSING REQUIREMENTS PLACED ON NEW OFFICE DEVELOPMENTS

INTRODUCTION

A. Background

Findings from the EIR's show that the construction of new office buildings create a demand for new housing in excess of the supply provided by the current market. Therefore, the city planning commission has adopted a policy of imposing housing requirements, where appropriate, on proposed office developments to mitigate said adverse impact.

To facilitate better coordination and implementation of this housing policy of the city, the planning commission and the mayor have determined that a San Francisco office/housing production program (hereinafter OHPP) be established and implemented by staff from the city planning department and the Mayor's Office of Housing and Community Development.

The purpose of OHPP is to assure that developers of new office buildings, as employment generators, share the responsibility of increasing and preserving the city's housing stock, particularly affordable housing.

The public policy underlying OHPP is the recognition that this additional housing demand will exacerbate the city's housing problems—especially the critical shortage of affordable housing. Solutions addressing the city's housing problems must be made within the context of the city's overall growth patterns and demographic changes. Moreover, solutions to the question of affordability will entail balancing the competing public and private interests [1] and their interrelationships. Therefore,

[1] The public interests include, but are not limited to: The maintenance of the city and county of San Francisco as the financial center of the West, which forms one of the key economic bases of the city; the preservation of a livable and pleasant urban environment; the preservation of the unique characteristics of San Francisco; the implementation of proposition K, which mandates the construction of 20,000 units of housing, and the maintenance and expansion of public transit services. The private interests include, but are not limited to: The demand for additional office space by the private sector, the needs of the development community, and the various expressed philosophies relative to downtown growth.

before arriving at an informed decision, such solutions will require careful evaluation and analysis of data collected and to be collected,[2] and continuous dialog among the government, developers, financial institutions, interested citizens, and members of the legal community.

To this end, the department of city planning is revising the housing element of the city's master plan with special emphasis on the production of housing in the next 5 to 10 years. The director of city planning and the OHPP team, as part of the overall housing production program, will be preparing an OHPP ordinance for the review and approval of the city planning commission and adoption by the board of supervisors and the mayor in the near future.

In view of inquiries from developers seeking guidance in how they may implement the downtown housing requirements, it is determined that OHPP must be developed in three stages:

(1) The continued imposition of housing requirements, project by project, based on information from individual EIR's presented to the commission.

(2) Development of an OHPP ordinance, prior to the completion of the downtown EIR, which will clearly set forth the policies related to downtown growth for the next 5 to 10 years, and the circumstances wherein an office developer is obliged to share in the responsibility of producing housing; and

(3) Review of the OHPP ordinance, after the completion and certification of the downtown EIR and, if necessary, the preparation of appropriate amendments to that ordinance.

Until the adoption of an OHPP ordinance, these proposed interim guidelines, if approved by the city planning commission, define the implementation methods wherein an office developer may meet the housing requirements already imposed and yet to be imposed. These proposed quidelines explain the enforcement procedures to insure implementation of the aforementioned requirements.

B. Purpose of Guidelines

These guidelines offer interim rules for complying with housing requirements imposed prior to the adoption of an OHPP ordinance. The guidelines set forth the method of computing the housing requirement, define the means available for meeting the requirement, and detail the administrative procedures for enforcing the requirement.

The guidelines are designed to achieve the following objectives:

(1) Implement the policies and objectives set forth in the residential element and the urban design plan of the city's master plan and other clearly articulated housing policies of the city.

(2) Respond to the housing needs of the citizenry of the city.

(3) Respond to the needs of the development community.

(4) Expand the supply of housing stock in the city.

(5) Expand and preserve the supply of affordable housing in the city for persons with low- or moderate-incomes.

(6) Offer developers several means of meeting the housing requirement.

(7) Offer developers incentives to meet the special housing needs of the citizenry of San Francisco; and

(8) Mitigate the adverse impact on the housing market caused by increased development in the downtown area.

C. Effective Dates

These guidelines will become effective upon their adoption by the city planning commission and will remain effective until the adoption of an OHPP ordinance by the board of supervisors and the mayor.

D. Developments Subject to Guidelines

Office developments subject to these guidelines are:

(1) Projects with housing requirements already imposed as a condition of city planning commission permit approval; and

(2) Prospective projects requiring city planning commission permit approval prior to adoption of the OHPP ordinance.

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[2] Additional data on the city's demography, housing characteristics, and housing costs are forthcoming from the downtown EIR, the 1980 census reports, and development cost research presently undertaken by Questor Associates for the San Francisco Redevelopment Agency. This data, essential to develop the city's OHPP policy, will be available over a period of time.

PROPOSED OHPP GUIDELINES

I. Housing Requirements

A. Computation of housing requirements

Prior to adoption of the OHPP ordinance, the city planning commission will use the formula set forth below for computing housing requirements for an office development seeking planning permit approval. The bases of the formula set forth herein, as in the past, are as follows:

(1) Office use generates one employee per 250 gross square feet.

(2) Based on available data, 40 percent of all office employees reside in San Francisco.

(3) Each person will require an average of 400 square feet of residential space; and

(4) 1.8 working adults occupy each residential unit.

Therefore, the formula for computing housing requirements is: gross square feet of office space/250 square feet 0.22 = housing units.

The methods for implementing these requirements are described below. They do not apply to satisfaction of housing requirements by investment in the shared appreciation investment pool of the citywide shared appreciation mortgage revenue bond program, as described in part IV of these guidelines.

B. Definitions

For the purpose of interpreting these guidelines, the following definitions shall apply:

(1) *Housing units.*—Each bedroom counts as one unit, in order to encourage the development of both single and multibedroom units, and to provide flexibility to developers for satisfying the housing requirements while serving the multiple needs of the city's work force. For example, a three-bedroom unit equals three units.

(2) *Qualified housing developments.*—All housing developments, except for those already under construction and subject to the limitations set forth herein, are eligible, including: Rental units, ownership (both cooperative and condominiums), multiunit buildings, including residential hotels, single-family homes, and housing for those with special needs, including board and care facilities.

(3) *Low/moderate-income households.*—Consistent with definitions in the city's subdivision code, low-income persons or households are those whose incomes are under 80 percent of the median income for the San Francisco SMSA; moderate-income persons or households are those whose incomes are between 80 and 120 percent of the SMSA median income.

(4) *Affordable housing units.*—Units which are rented or sold to low- or moderate-income persons or households, as defined above, whose housing expense does not exceed the following: Rental expense shall not exceed 30 percent of the gross monthly income, adjusted for family size. Homeownership expense, which includes the expense of mortgage principal interest, property tax and insurance, and/or homeownership association dues shall not exceed 38 percent of gross monthly income, adjusted for family size.

Furthermore, the project must be governed by some legal covenant which guarantees the availability of said units to low- or moderate-income residents for at least 20 years.

(5) *Substantial rehabilitation.*—Substantial rehabilitation shall refer to substandard, deteriorated housing, which is unsafe and unsanitary, and which endangers the health, safety, or welfare of the occupants, and which rehabilitation costs are in excess of $20,000 per apartment or $10,000 per residential hotel unit.

(6) *Vacant housing.*—Vacant housing shall mean housing units which require substantial rehabilitation, as defined above, and which have not been occupied for at least 1 year prior to the request for preliminary approval of housing credits, except those units owned and operated by the San Francisco Housing Authority or a neighborhood-based nonprofit organization.

(7) *Project sponsor.*—A project sponsor is a developer who assumes responsibility for a residential project by serving as an equity or development partner in that project.

(8) *Neighborhood-based organization.*—An organization is considered to be neighborhood-based if the majority of either its membership, clientele, or governing body are residents of the neighborhood.

(9) *Shall.*—The word "shall" is mandatory and not directory.

C. Multiple credits for affordable housing

Certain projects approved by the commission have requirements to produce affordable units; others do not. The commission is cognizant of the financial gap between

affordable rents and amortization of development costs (including but not limited to, architectural and other professional fees, construction costs and interest) and the lack of continuing governmental subsidies to construct affordable housing. The commission, therefore, finds that economic considerations dictate that economic incentives be given to promote and stimulate the production of affordable housing, in order that the city may successfully implement its policy of expanding the supply of affordable housing. Hence, a multiple credits mechanism has been designed to offset partially the development costs of producing affordable housing.

The Commission, therefore, offers the following incentives:

(1) *Two-for-one credit.*—Two housing credits will be given for each one affordable housing unit developed for rental or sale and assisted with government rental or operating subsidies, provided that the office developer makes a financial investment in these affordable housing units to facilitate the construction of said units.

(2) *Three-for-one credit.*—The office developer shall be credited with three housing units for one affordable housing unit for moderate-income households which the developer sponsors without governmental rental or operating subsidies. However, this bonus is not available to projects financed by the city's shared appreciation mortgage revenue bond program.

(3) *Four-for-one credit.*—The office developer shall be credited with four housing units for one affordable housing unit for low-income households, which the developer sponsors without governmental rental or operating subsidies. However, this bonus is not available to projects financed by the city's shared appreciation mortgage revenue bond program.

The use of the multiple credits is limited to new construction and rehabilitation of vacant buildings as defined supra.

II. Implementation Guidelines—Means of Complying With Housing Requirements

An office developer shall elect to implement the housing requirements through one of the following: (1) The construction of new housing units; or (2) the rehabilitation of vacant buildings.

An office developer may participate in the development and preservation of housing as:

A. A developer who sponsors a housing development

If an office developer is the sponsor or one of the sponsors of a housing development from its conception, written evidence must be submitted, at the time of requesting preliminary approval of housing credits, including, but not limited to:

(1) A purchase contract or option agreement documenting control over the site for development.

(2) Contracts for predevelopment services, such as architectural, soils engineering, etc., undertaken for the project.

(3) A letter of intent between the commercial developer and his joint venture partner, if any; and/or

(4) Project partnership agreements (details on financial arrangements between development partners are not required), if any; and/or

(5) A building-specific rehabilitation plan and proof that the building has been vacant and the reasons thereof.

B. A developer who provides financial aid to project

If an office developer is not the project sponsor or one of the project sponsors of a housing development, financial aid may be provided to a housing development, provided that such financial contribution is not used solely to reduce the sale price of a housing unit already under construction, and further provided, that the housing development meets all of the following criteria:

(1) Developer has evidence of site control prior to the office developer's request for credit for that project.

(2) If the housing development is a section 8 HUD project, that project is eligible only if: (a) HUD has completed cost reviews and has determined that project development costs exceed the FHA statutory limits for FHA mortgage insurance; and (b) the applicant for section 8 subsidies must provide satisfactory proof to the OHPP staff that he has exhausted all potential sources of financing.

(3) Financial aid provided by an office developer under this subsection is limited to the following: (a) Provide line of credit or be the guarantor of the loan; or (b) provide private equity participation mortgage financing for a minimum of 7 years for affordable housing, as defined in part I(B)(4), infra; or (c) subsidize debt service for a minimum of 7 years to make possible conventional takeout mortgages to provide affordable housing, as defined in part I(B)(4), infra; or (d) donate land for the construc-

tion of a new building or donate the building to be rehabilitated; or (e) provide the cash necessary to meet part of the development costs.

And at the time of request for housing credits, the following evidence must be submitted:

(1) *New construction.*—(a) Letter from investment sources indicating that the original sponsor of the housing project cannot secure the capital necessary to complete the project from other sources; (b) documentation of the original sponsor's attempt to raise debt capital from conventional and secondary lenders; (c) documentation of the original sponsor's attempt to raise equity capital through joint venture partnerships; and (d) memoranda of agreements between the original project sponsor and the office developer.

(2) *Rehabilitation of vacant buildings.*—(a) A building specific rehabilitation plan; (b) evidence of vacancy and reasons thereof; and (c) a copy of proposed deed restriction in compliance with part I, section B(4) of these guidelines.

C. A developer who invests in the shared appreciation investment pool of the citywide shared appreciation mortgage revenue bond program, as described in part IV of these guidelines

III. Administrative Procedures

A. General staff organization

The mayor's office of housing and community development (OHCD) administers the office housing production program in coordination with the director of city planning. Staff of the city planning department and staff of the mayor's OHCD work as an OHPP team, under the coordination and direction of the deputy director for housing in OHCD. A deputy city attorney assigned to work with the OHPP team provides legal advice. The OHPP team meets weekly to evaluate specific housing proposals and to review project status and other general program-related issues. The director of city planning has the final authority on all credit approvals.

Within this team, responsibilities are divided generally as follows:

(1) A designated city planning staff, under the supervision of the zoning administrator, reviews proposals for zoning and master plan compliance through the environmental review and permit process.

(2) OHCD housing staff coordinates all OHPP team activities and analyzes the credit eligibility of the proposals.

(3) The deputy city attorney reviews and approves all major documents as to legality and enforceability, and provides legal advice.

B. Program operating procedures

Implementation of the housing requirements imposed by the planning commission begins with requests for housing credits by the office developer, and ends with determination that the developer has complied with the requirements. The steps for obtaining preliminary approval of housing credits and for monitoring housing projects through the permit process are:

(1) *Request for preliminary approval of housing credits.*—(a) Developer submits to OHCD an initial request for housing credits, including the required evidence set forth above; (b) OHCD distributes the requests to OHPP team members for their specified reviews and comments; (c) upon request, developer shall submit additional information to the OHPP team, in order that review of request for housing credit may be completed; (d) OHPP team considers the request for credits and evaluates the evidence submitted; (e) the director of city planning issues the office developer a preliminary approval of credits or issues a letter of rejection within 15 working days from the date the office developer fulfills all submission requirements.

(2) *Monitoring the housing projects through the permit process.*—To insure that the city planning department staff may effectively monitor a proposed OHPP project through the city's permit process, a developer shall: (a) Notify the zoning administrator of intent to develop or participate in the development of a specific housing project; (b) meet with the OHPP team to discuss development plans, including zoning and financing needs; (c) follow the regular city procedures for processing of permits; and (d) city planning department staff shall be responsible for monitoring all OHPP housing projects through the permit process.

C. Final approval of credits and enforcement thereof

(1) *Progress reporting requirements.*—Each office developer shall report on the progress in meeting the housing requirements to the planning director every 6 months from the date the requirement has been imposed. A temporary certificate of occupancy for the office building will be issued only after the developer has obtained

preliminary approval of required number of housing credits from the city planning director.

(2) *Final approval of credits.*—The director of city planning shall issue final approval of credits provided that one of the following has occurred: (a) Construction of new housing development has begun; (b) rehabilitation of vacant buildings has been completed or is under construction and the office developer has posted a bond or a letter of credit equal to 5 percent of the rehabilitation costs as a protection against cost overruns which could jeopardize completion of the rehabilitation; or (c) in section 8 projects, HUD has issued an initial endorsement.

A final certificate of occupancy for the office building will be issued upon issuance of final approval of housing credits.

Preliminary housing credit approval or final housing credit approval may be transferred to another office developer provided: (a) That the original office developer has abandoned the office development as evidenced by withdrawal of the building permit application; and (b) that the transferee of said housing credits has obtained written approval of such transfer from the director of the department of city planning.

IV. Citywide Shared Appreciation Mortgage Revenue Bond Program

A. General description

As an alternative means of receiving housing credits, new office developers can elect to invest under the citywide affordable bond program as a holder of secured investment in a pool of funds to be used as shared appreciation mortgages in conjunction with bond proceeds.

The city and county of San Francisco plans a $60-million tax-exempt mortgage revenue bond program for approximately 630 eligible homebuyers in the city. The program will provide permanent mortgage financing to stimulate the production of new housing units and expand the affordable housing stock in the city. Eligible purchasers are individuals and families whose incomes range from 80 to 150 percent of the median income of the San Francisco Standard Metropolitan Statistical Area.

Since housing prices in the city are extraordinarily high, lower interest tax-exempt bond funds will be combined with shared appreciation mortgage investment pool funds. The carrying costs of the mortgages will be reduced by virtue of being at a tax-exempt rate. As needed, individual mortgage costs will be further reduced to affordable levels using funds from the "investment pool" established for that purpose.

B. Required investment pool funding

Shared appreciation investment pool funds will be committed to service up to 50 percent of the mortgage debt service for affordability. Each purchaser will be required to pay approximately 30 percent of his monthly income toward mortgage debt service. It is estimated that an investment pool of $10 million will be required prior to issuance of the bonds in the first quarter of 1982.

ITEM 3. MATERIAL SUBMITTED BY ROBERT J. NOCERA

Attached find material on various equity conversion projects along with a memorandum and exhibits which I submitted a chairman of the Financing Subcommittee of the Elderly Housing Task Force set up by the State of Connecticut Department on Aging.

Exhibit A of thac memorandum deals with a concept for equity conversion.

Current tax laws provide lucrative tax incentives for ownership of rental housing. If, in addition, regulation could be passed that would freeze real estate taxes and utility costs for the user (seller in this case), the investor (buyer) could get a satisfactory yield and the user could keep costs under control. These abatements could be made up with the sale of the house or liquidation of the investment fund.

The seller would need to be educated on the concept of occupancy without ownership, but I believe this concept could work since it removes many of the obstacles which have been previously encountered. These include making the investment profitable for the buyer; providing a positive cash return for the seller; providing a reversion for the future heirs; and most important, allowing the older home owner a choice other than poverty living or having to sell.

MEMORANDUM

TO: Elderly Housing Task Force

FROM: Financing Subcommittee

SUBJECT: Recommendations For Task Force Follow-Up

DATE: May 15, 1981

The following recommendations are a result of several discussions by the Financing Subcommittee and attempt to identify areas which it is believed would be beneficial given further study. The brief list of recommendations by no means reflects all the topics discussed but rather attempts to identify those which we judge may have the greatest value. Further, the time constraints placed on us have limited the full participation by all subcommittee members and so have presented a thorough search for all opportunities in the general area of financing.

If the Task Force finds these recommendations beneficial, it is suggested that they each be more thoroughly developed and that additional effort be given to search out other possibilities by using the combined experience and talent of the entire Task Force.

Recommendations:

1. Study the feasibility of a plan for allowing life occupancy of cash poor, house rich homeowners. This plan should give the homeowner some return on his equity in the home while he continues to occupy it and still allow that equity (or some part of it) to be available to the owner or his estate when occupancy is no longer required. (See Exhibit A for a brief outline of one way that such a plan might work.)

2. Study the feasibility of using a charitable annuity as a means of providing occupancy for elderly. This plan should be structured so as to provide some ongoing income as well as property maintenance and repair services. Also, there should be no real estate taxes to be paid because of the charitable nature of this plan.

3. Property Tax Loan/Lien Program. This concept could be used in lieu of or in addition to the present "circuit breaker" program as a way of reducing the tax burden on the homeowner, thus having the effect of adding to the person's income. The deferred taxes would be paid when the property is sold or the estate liquidated. (See Exhibit B for further details.)

4. Encourage local towns and municipalities to allow apartment units to be added to single family homes. (See Exhibit C for brief description of recently approved Wilton plan.) Then sell lenders on the concept so that this use would not effect financing and would give credit to the added rental income for underwriting purposes. This concept has the duel advantage of allowing elderly homeowners to derive some income from the unused portion of their home and allows others to occupy a rental unit in a one family setting with the added advantage to both of companionship.

EXHIBIT A

House Rich/Cash Poor Homeowner -
Life Occupancy Plan

Objective:

1. Give house rich/cash poor elderly a chance to continue living in their existing homes if they choose, for up to the rest of their lives.
2. Give them some return on their equity while they continue to live in the home.
3. Give them (when and if they decide to move out) or their estate the cash equivalent of the present value of their home.

Concept:

1. Sell home to an investor (group of investors using the Limited General Partnership concept) for current fair market value less 6 1/2% (or 93 1/2% of value - 6% would have been paid to a Real Estate Agent, 1/2% to cover legal fees).
2. Title is held by investor but seller gets life use of property (if he chooses). Seller may give up occupancy at any time he wishes in exchange for sales proceeds (93 1/2% of sales value).
3. During seller occupancy, sales proceed are invested (work out details of trustee/investor) in high yield, short term investments (6 month CD's, money market funds, etc.).
4. Proceeds from investment are split between investor and seller. (Percentage of investment income to each party will be dictated by the market).
5. When investment fund is liquidated (seller moves or dies, proceeds go to seller or his estate) the investor is free to dispose of house as he chooses realizing all appreciation in value.
6. Taxes, insurance and maintenance remain the responsibility of the seller. (Taxes may be a problem here. Elderly would loose its tax freeze when property is sold. Look into "loan/lien" concept to see how it could apply.)

Detail:

1. Will elderly "sell" their house in exchange for life occupancy and some added income? Effect on estate and heirs?
2. Is limited cash return, tax advantages and appreciation enough to attract investors? (It seems highly important to maintain a profit motive and keep the less efficient public sector out of this plan.)
3. What kind of problems are involved in finding the proper trustee/investor for the cash fund.
4. Can provision be made (protection for investor) to use fund principal (under proper control) to pay excessive taxes (loan/lien concept) or make repairs or improvements to property? Maybe the protection for the investor is that the house must be turned over to him at end of occupancy period in substantially the same condition as it was at time of sale, less normal wear and tear.

lag

EXHIBIT B

DRAFT

Property Tax Postponement Program
(Property Tax Loan/Lien Program)

I. Purpose

allow elderly options/choices in their residence arrangements

II. Goal

A program to offer to elderly homeowners/occupiers the opportunity to remain in their own homes through the postponement of the real estate taxes due on the residence by means of a loan to the home-owner which will be repaid, with interest, when the owner/occupier dies, sells, or otherwise ceases to live in the residence

III. Target Population

A. Cash poor/house rich

B. Cash poor (including computation of assets other than home?)/ house rich

C. Cash poor/house poor

IV. Implementation

A. Monies for the program

1. a pool generated by the sale of bonds by state and/or local government

2. a pool generated by a loan negotiated by local government/ state government each tax period to cover actual expenditures

3. use of some form of reverse annuity mortgage instrument between home owner/occupier and a financial institution

B. Collateral

home-owner's equity in house of at least 20%

C. Interest on Loan Lien

1. set at a rate above/below market rate?

2. how computed on base?

D. Lien

to be executed when owner/occupier dies, sells, moves or ceases to occupy the home

E. Elibigility Requirements

1. age 60+?, 62+?, 65+?, 70+?
2. income, adjusted gross
(as of Line 31 IRS?)

$10,000 single?

$12,000 couple?
adjusted yearly for inflation factor?

V. Plusses of the Program

. unlike a subsidy, less costly to the government

. protection of elderly home-owner/occupier against rising mill rate and revaluation

. home-owner/occupier provided with options for living arrangements

VI. Minuses/Problems

. what happens if home-owner/occupier exhausts the house equity?

. will this program help to keep family-type housing from "recycling"?

. the interface with this program and the "circuit breaker" which offers a direct subsidy to the elderly home-owner/occupier and renter?

California Case Study

Senior Citizen Property Tax Assistance Law

Eligibility

owner-occupied

62+ years old

income limit of $20,000/year (1979) with yearly adjustments for inflation - $26,800 for 1980, projected $30,700 for 1981

Property Tax Postponement Program 3

Funds

State Pooled Money Investment Fund borrowed at interest rate of 10.4%

Amount of Tax Postponement

only on the first $8500 of the assessed value of the residence

Lien

state holds lien on property for the amount of tax postponed at an annual interest rate of 7%

SUMMARY OF ACTIVITIES 1978-79 THROUGH 1980-81

	Actual 1978-79	Actual 1979-80	Est. 1980-81
Participants	7,054	6,145	7,100
Total appropriation	$10,000,000	$ 4,200,000	$ 3,300,000
Total amount postponed	$ 2,850,000	$ 3,390,000	$ 3,980,000
Average Amount postponed	$ 405	$ 550	$ 561

California Budget Analysis Unit Comments

repeal of the mandated inflation rate adjustment on income as the elderly home-owner with $30,000+ income would be well able to pay real estate taxes

COMMENT

California has a Homeowner and Renters' Property Tax Assistance Program that, on an intricate sliding income schedule, will directly subsidize a percentage of the real estate tax for home-owners or that portion that each rental unit bears of the total real estate tax on the property.

The California Budget Analysis Unit remarked on the fact that the actual use of the Property Tax Postponement was less than anticipated.

A conclusion can be drawn that the Property Tax Assistance Program offers more finanical benefit to the cash poor/home poor client. For the cash poor/house rich client, the Property Tax Postponement does not offer enough of a monetary benefit to entice participation, since only the tax on the first $8500 of the Assessment would be postponed.

When we consider the interface of a Property Tax Loan/Lien Program in concert with the present "Circuit Breaker," decisions will have to be made on the target group of both programs in terms of eligibility requirements and amounts of loans to be available to each participant.

For the cash poor/house poor, the circuit breaker might still be the most appropriate program, i.e., a direct subsidy for those with limited means and assets.

For the cash poor/house rich, participation in the circuit breaker program might be curtailed, limited, or ended with only the Property Tax Loan/Lien available, since the asset (i.e., the residence) has value.

EXHIBIT C

Wilton Regulations On Apartment Units In Single Family Homes

1. The home must be at least five years old.

2. One of the occupants (either owner or renter) must be at least 62 years old or handicapped.

3. Outbuilding may be used as the rental unit if they presently exist. No new buildings may be added for this purpose.

4. The sanitary system must be inspected and approved as being able to support the two living units.

5. An application must be made to the Planning Commission in order to receive approval to have the second unit.

Appendix 2

STATEMENTS SUBMITTED BY THE HEARING AUDIENCE

During the course of the hearing, a form was made available by the committee to those attending who wished to make suggestions and recommendations but were unable to testify because of time limitations. The form read as follows:

DEAR SENATOR DODD: If there had been time for everyone to speak at the hearing on "Alternative Approaches To Housing Older Americans," in Hartford, Conn., on February 1, 1982, I would have said:

The following replies were received:

JOYCE C. BUDROW, DIRECTOR, NORTH HAVEN SENIOR CENTER, NORTH HAVEN, CONN.

As there are many needy senior citizens who require housing, and funding sources are decreasing, it is vital that an equitable system is devised that prevents seniors from selling their homes, turning their money over to their adult children, thus qualifying for subsidized rents in elderly housing. There is no reason that a senior having $50,000 to $60,000 in the bank needs to have his or her bills paid at the expense of the young taxpayers who are trying to start their own lives.

In my opinion, reverse mortgages seem to be the most viable method for those seniors who can and want to stay in their own homes.

DANIEL J. GALLAGHER, NORWICH REDEVELOPMENT AGENCY, NORWICH, CONN.

As a member of a public agency, which among its other activities, has been involved with constructing and providing new units of housing for the elderly, I would like to state that I feel there is a great need to see such programs continue. As a member of the Norwich Redevelopment Agency, an agency which has built 75 units of housing for the elderly, I have witnessed what a governmental backed program can achieve.

The 75 units built under and utilizing the section 8 housing program does play a role in meeting the tremendous demand for decent affordable housing units for our senior citizens. The waiting list for occupancy of units as they become available is unfortunately too long. A good number of people can get placed on a waiting list, but unfortunately many are never able to move from the waiting list to occupancy of a unit because of the great imbalance between the number demand for units and the number availability of units.

If there is a program which deserves Federal support and encouragement, it is a program whereby localities can count on receiving Federal assistance for the construction of more much needed units of affordable, decent housing for our elderly citizens.

Cutting back on Federal assistance to programs of housing for the elderly is doing a great disservice to our senior population, many of whom have given so much to our country. Surely there must be room in the great wealth of our Nation for continuation and growth of programs of aid to our elderly.

WILLIAM H. JOHNSON, MOUNT CARMEL, CONN.

I briefly saw a portion of the hearing you conducted on February 1, 1982, which concerned itself with housing for the elderly. I would like to offer you my thoughts and comments on this subject.

It is a fact now, and will become even more evident as this decade unravels, that "housing is the crisis of the eighties." It is just beginning to emerge now, and I am certain that you realize this, and that this was the basis for conducting the hearing.

I have been a homebuilder since 1955. I am sure that I don't have to tell you that the state of housing in America today is a disaster. It is not all due to the high interest rates that we are experiencing today. The housing goals of our country have not been met on a consistent basis ever since the Romney report was done several years ago. This report indicated that in order to stay abreast of housing needs, we would need to produce for the decade of the seventies an average of 2 million housing units per year. This goal was met in only 2 of the 10 years of the seventies.

The figure of 2 million units took into consideration those units required for new family formation and also for those units which were reduced from the housing stock by attrition, such as fire, demolition, urban renewal, etc. Thank God that the reversal of urban renewal is to renovate instead of destroy, as this has saved some of our housing stock.

As a father of seven children, I have said for many years (although I do not claim to be the originator of this statement) "Where will my children live?" This statement has been picked up by the National Association of Home Builders of which I am a former president of the New Haven County Chapter (1973). Even though it is emotional and dramatic, it is a truism.

I would like to offer to you my thoughts on some remedies to our housing needs today, many of which would apply to the problem of the elderly.

The more encompassing statement of housing needs is housing for the newlyweds and the olderweds. All of these suggestions can be accomplished in the local area by the private sector of our economy. As a businessman, I am strongly opposed to government, whether local, State, or Federal, subsidizing or getting involved with housing. As the record will indicate, it generally has always been another bureaucratic process that is totally inefficient and most wasteful of money, not to mention the politics involved.

Zoning is probably the most critical factor. Each town that has enacted planning and zoning regulations uses as its direction, "for the health and welfare of the community." There is no greater way to discriminate against the needs of housing than the size of lots and the area of the dwelling, the prohibition of mixed use and other constraining factors which prevent good land use for housing.

Here in Connecticut, we see 4-acre zoning in New Canaan. A typical suburban lot in most communities is 1 acre. The only time larger lots can be justified is when there is a qualifying factor of the type of land that is going to be used for housing; in other words, does it require an individual well and/or septic system? This requires special soil types. There are also special conditions such as wetlands and rock formations that would dictate special considerations as to lot size, but these situations are in the minority. The availability of sewers and water should prescribe absolute minimum lot size.

Continuing this zoning thought, there is no reason, in the thousands of houses that have been built on 1-acre and one-half-acre lots that are served by public utilities, why these same lots can't be resubdivided by the owners to have one or more additional dwellings placed on them, initially for family members. Further, it should be recognized that many of the existing dwellings that were built in the fifties and sixties could now be converted or added onto, so that two or more families could be housed. Most zoning laws prohibit this; however, it is a fact that either legally, or, most generally, illegally, homes are being converted to this type of housing today. It should be encouraged! In the 169 towns in Connecticut, I believe that you will find that under 20 allow the use of trailers and/or mobile home parks. This is a disgrace! Again, it is a result of discriminatory zoning.

Most towns do not allow housing in a business district. If you will think back to the late thirties and early forties, it was a concept to provide housing on the second floor over small shopping areas. This is an area where housing could now be added above many smaller business districts.

We have to reassess and meet the need of housing for people today who are willing to accept much smaller sized units. Housing has been like automobiles. Detroit told us to build bigger cars. This trend has been reversed—mostly by foreign competition. It is time that we stop building the 2,000-square-foot house (1981 average for the State of Connecticut) and start producing the 600-square-foot house which will be affordable and energy efficient.

I thank you for the opportunity to express these thoughts. I know that they will be echoed by all of the responsible builders that have membership as I do in the NAHB. They would be most receptive to your inquiry. Also, I know that Sam Sisisky, who introduced you when you were campaigning for office in the Hartford area last year, would be a fine person for you to contact.

DEBRA M. KAYE, BRISTOL, CONN.

Today in the Harford Courant, an article written by Vivian B. Martin regarding the viability of "granny flats" struck close to this family's home, and I would like to share our experience with you and other members of the Special Committee on Aging.

In 1975, my grandmother at age 67, was widowed. She had never before lived alone, and now, was in a town separated from her children and grandchildren. Only too soon, her home was burglarized, she was afraid, and my parents wanted her nearby.

My parents own a home on 3 acres in Bristol, with separate existing buildings, plans were made to renovate one of the buildings to provide an ideal apartment for grandmom. The apartment would allow grandmom her privacy and separate status, yet be accessible to the family.

Who would or could object? Believe me, just about the entire neighborhood. Petitions circulated, neighborhood meetings, zoning committee meetings, a 4 by 4 sign had to be posted. A stressful situation, to say the very least.

Why? I don't think we'll ever be able to sort out all the reasons. Our neighborhood contains many lovely people, but they certainly were against the addition of this apartment. The complaints ranged from the worry of too many cars in our driveway to ruining their view of our property.

The zoning committee meetings dragged on well over 6 months. The insensitivity of the individuals involved was incredible. In my grandmother's presence, questions were asked as to who would live in the apartment upon the event of her death.

We were bewildered, all my parents had wished to do was to provide her with peace of mind and an apartment on their property. In the end result, my parents' request was denied. Our family was able to proceed with their plans, only following the subdivision of the property to maintain the status of the single-family residence.

Several years have now past, emotions have cooled, grandmom is living in a lovely one-bedroom, one-bath apartment. She is an integral part of our family. Of course, there are the usual difference of opinions, like in all families, but we feel that the advantages of the extended family far outweigh the disadvantages.

Senator Dodd, as the economy tightens and government assumes less financial responsibility for social programs, the obligation of the family and the church will become more important. Please urge your fellow committee members on the Special Committee on Aging to study and approve the option of the granny flat.

If a family desires to provide housing for an aging relative, they should be encouraged and not prohibited by existing zoning laws.

Please continue your worthwhile endeavors in this area. Your effort is appreciated.

GEORGE L. KENNEDY, JR., JEWETT CITY, CONN.

Senator Dodd, members of the Connecticut General Assembly, Commissioner Shealy, my name is George Kennedy. I am an attorney from Griswold, Conn. I would like to thank you, Senator Dodd, for conducting this hearing by the Senate Special Committee on Aging. Its topic, "Alternative Approaches To Housing Older Americans," is particularly necessary during these times of high inflation, high interest rates, but low or moderate incomes. I hope the thoughts presented today will generate alternative approaches that can meet and dissolve these problems.

Initially, Senator Dodd, we should understand that to the extent possible, senior citizens would prefer to live at home. Commissioner Shealy has pointed out that Connecticut's 522,000 residents over 60 were surveyed. That survey revealed that 69 percent own their own homes, and 84 percent would prefer not to move from their current address. However, in order for those persons to continue living independently they will have to face increased costs for water, heating, lighting, and repairing their homes.

These rising costs will be additional burdens for seniors who rent also. Although repair bills for upkeep will not be a factor, rising rental fees will take a greater share of already fixed, limited incomes.

These problems as they exist and are projected to become more burdensome will be compounded by additional factors. One of the compounding problems is that the already scant supply of affordable appropriate housing in Connecticut will be demanded by more and more senior citizens. In Connecticut, since 1970, the general population has grown by only 2.1 percent while the number of seniors has risen by about 26.3 percent, and this trend is expected to continue. Studies indicate that the senior population will grow by 20 percent over the next decade.

Another problem this administration is presenting to seniors, as you have aptly put it Senator Dodd, is the virtual "dismantling of assisted housing projects." Senior citizens have traditionally made up the larger percentage of those benefiting from assisted housing programs—such as section 8. But with the administration budget axing, less housing will be available to those growing numbers in need of such housing.

But there is a one-two punch by this administration to senior citizens' pocketbooks. Those programs for housing that the administration allows to continue will see a requirement for a greater percentage of payments for that housing. It's an incredibly insensitive series of actions.

If we do not consider assisted housing programs to help our seniors, high interest rates are preventing any attempts that might be made from the private sector to fill the housing gap between need and availability. As Connecticut's Commissioner of Housing pointed out, "Private developers, because of current development costs and interest rates, find it virtually impossible to build this kind of housing."

These are the problems facing us, but what creative ideas are there to attack these problems and thus lessen the needs and financial burdens of seniors in need of housing?

Let us examine, Senator Dodd, four areas: Alternative housing and living arrangements; providing more affordable housing units; creative financing; and land use/zoning regulations.

First, let us review alternative housing and living arrangements. One arrangement is foster care. This program is designed to deal with those who are described as the "frail." They are a special group of seniors who are suffering from significant and chronic physical disabilities, and are at risk of entering a nursing home. (There is about 28 percent of Connecticut's senior population who are frail.) This program provides for the placement of such seniors into the homes of people willing to care for them. Connecticut had a program such as this, but it is essentially in suspension because of inadequate funding to help the care givers.

Another arrangement for the frail is congregate housing. This is housing which has within its boundaries social and health services, but unlike a nursing home it allows for as much independent living as possible.

Seniors who are not frail could look to a series of alternatives. One is perhaps best described as home sharing. In this alternative, someone with extra living space in their home provides such space to a senior citizen in exchange for rent or services or both. Matching the available housing space with those seeking such space, and providing technical assistance as to the arrangement details between the parties, is all that is needed.

This program would seem to offer a number of advantages: (1) Low cost to implement, (2) extra income/services to the homeowner, (3) inexpensive living space for those needing it, and (4) most importantly is the interaction, companionship, and rapid assistance available to the senior citizen. (The president of the Grey Panthers, Maggie Kuhn, has a similar living arrangement, and has frequently advocated such to others.)

Similar to sharing one's home to a senior citizen is for a homeowner to build a separate apartment within the home. Here again, excess space is used for mutual benefits. Neither this nor the previous program results in harm to the character of the neighborhood (38 towns in Connecticut now permit such accessory apartments within their zoning regulations).

I would encourage the Senator to review further the impact accessory apartments and home sharing can have on Connecticut's seniors in need of housing. In turn to provide any information and assistance to the State and localities, who themselves desire to review the proposals and zoning/land use regulations needed to implement such ideas. As Housing Commissioner Canale said: "We also encourage localities to examine their land use regulations. The implementation of inclusionary regulations and policies would create a variety of housing types for different age and income groups. Not only does inclusionary land use regulations provide a diverse and healthy community, it is also an appropriate way to respond to a depressed housing market, to declining government funds, to house an increasingly larger older population, and to make the best use of existing housing stock." I believe we must consider these alternatives in the context of maintaining quality homes and preserving the flavor and integrity of the neighborhood.

How can we make more adequate housing available to our senior citizens who need it? One method is to revitalize existing homes for and of senior citizens. Farmers Home Administration program 504 is an excellent example of what can be made available and done for and with senior homeowners.

The limitation of this program however, are twofold: 504 is not available for renters or landlords, and second, as New England, and particularly my home town of Griswold, are old mill towns, many homes that are available are duplexes. (As you are no doubt well aware Senator, duplexes were built years ago during eastern Connecticut's textile era, to provide housing to the factory workers.) However, 504 is not available to duplex owners even if the duplex owner is a senior citizen. I would recommend Senator, that the 504 regulations be amended to include duplex housing. My belief is that the impact of such a change would be most felt in Connecticut and New England, and any additional financial burden on FmHA's 504 would be well justified. I have included with this testimony a brief summary of FmHA 504 for your review.

Homesteading is another concept only applied to a limited extent in cities. The concept of homesteading is to make available housing that is in poor physical shape at a cost of usually $1. At the same time the purchaser(s) are expected to rehabilitate the housing stock and make it available for occupancy.

Expanding such a program to other localities would result in an improved local tax base upon completion and occupancy; an improved local economy; greater potential for home sharing or accessory apartments; improve the character of the area in which the home has been upgraded; jobs during rehabilitation; and more.

Senator Dodd, I would encourage you to review FmHA 502, 504, rural rental housing, and business and industry programs along with HUD's urban homesteading programs, to determine how they can be amended to encourage not only homesteading programs, but also to make more quality and affordable apartments and housing available to our senior citizens.

Manufactured housing and shell housing are options available to provide housing that is inexpensive. Manufactured housing involves usually two parts of a complete and completed house that is placed together on a foundation. Thus the foundation is completed at the location of where the house is to be, while the house itself is being prepared at another site, to be brought to the foundation and placed on it. This house is almost completely finished inside and out when it is brought to the foundation. It is another method of shearing expenses which are usually passed on to the purchaser.

Connecticut's Department of Housing is committed to this type of housing and has a demonstration project for senior citizens started. I would encourage a close monitoring of the results, efficiencies, and impacts of the demonstration for possible expansion of the concept.

A variation of the manufactured home is the shell home. The shell home is complete except for those items that a "handyman" or woman could finish at their financial ability and leisure time. It is a concept that lends itself well to those who have the ability, determination, and time to finish their home. It also provides the purchaser with a lower expense in obtaining the shell, and a savings over the long haul to completion to someone who can complete the work themselves. Again this and the modular (manufactured) housing are areas, if deemed desirable, can run aground of local land use and zoning ordinances, as well as the financial and interest rate burdens. Nevertheless, these two concepts of housing should be examined for their quality, costs, efficiencies, and ability to meet our seniors' needs for housing.

Finally let us discuss briefly creative financing arrangements. One is called home equity conversions or reverse annuity mortgage, or other names. The concept is the same. They all usually involve a bank or other investor advancing money to the homeowner in return for a claim on the senior's home. I believe Commissioner Shealy's testimony on this will provide the best insight to the mechanics and examples of their operation and defer to her for her comments.

My one concern with such ideas is that the homeowner may not understand or realize the impact of their action. Here is equity being transferred permanently. They cannot expect to pass the home onto their heirs—the property is owned by another. A further complication is a legal one. Such a transfer will affect the senior's will or trust arrangements (unless, of course, provisions have been made in advance in the instrument for such situations). Any provision in either the will or trust relating to the home will be affected to the extent that the probating of the will or the administering of the trust could lose its original intent. I doubt whether the average transferring homeowner realizes this result and acts as necessary. Protection of the homeowner then, to make him or her aware of the possible results of their transfer would be appropriate, Senator.

Senator Dodd, Commissioner Shealy, Commissioner Canale, members of the Connecticut General Assembly present, the 1949 Housing Act set as one of its goals the

following: "(to provide) a decent home and suitable living environment (for all senior citizens) * * *"

I am not convinced from my research or from the testimony today, that in the more than two decades since the act, that we have significantly approached that goal. It will take our imaginations and ingenuities to find new alternatives to our present mechanisms for housing our senior citizens. And after all of their dedication and sacrifices for us, they deserve no less.

Thank you.

WILLIAM J. SMITH, CHAIRMAN, NORWICH REDEVELOPMENT AGENCY, NORWICH, CONN.

As chairman of the Norwich Redevelopment Agency, I have been closely affiliated with a public agency which has played a role in providing much needed housing units for our elderly citizens. We have constructed a new housing for the elderly center which provides 75 new living units and a community center of which we can all be proud. The new units which were able to take advantage of the Federal section 8 housing program play a small role in meeting part of the pent-up demand for decent, affordable housing units for our senior citizens.

It was truly amazing to see what a great demand there was for occupancy of the 75 units as they came available. The number of applicants greatly exceeded the number of units available and we now witness a large waiting list for occupancy of those apartments as vacancies do occur. It is safe to say that had it not been for the federally subsidized section 8 program, the units could not have been built.

Knowing, therefore, from firsthand experience the demand that still exists for housing units that are built to accommodate our senior citizens, and made affordable by the governmental subsidy programs, I feel it would be most unfortunate if Federal assistance programs for elderly housing projects are to be eliminated or drastically cut back.

Surely with the tremendous resources of the country, there is still available sufficient funds to carry out a much needed and appreciated program of providing affordable and adequate housing for our senior citizens.

HUGH F. WARD, CHAIRPERSON, CONNECTICUT CONCERNED SENIORS FOR BETTER GOVERNMENT, WEST HARTFORD, CONN.

The current economics is causing and creating great distress to the elderly, also future elderly, by altering their well-planned future, by forcing the sale of their homes, change their location, health services, etc. All this is caused by the current fiscal economics, by not allowing these proud people who slaved all their lives to make this a better Nation to enjoy for themselves and our future residents.

These economics of today bar people who are forced to give up their homes to seek a low-cost housing, which are now nonexisting, so they may still live independently. This desperate need for elderly housing is leading to breakdown in health, causing family upsets, is now on the increase, for the elderly who comprise 16 percent of Connecticut's population who are over 60 years of age, these people are forced into the finances they have saved for the so-called rainy day, as these elderly are not in the saving market, these elderly are the ones who are aiding the economy, yet the economy are forcing them toward the alms area.

This current economic system must be halted, amended, to return this healthy Nation.

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